OVERSIGHT OF STATISTICAL PROPOSALS

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

FIRST SESSION

JULY 29, 1997

Serial No. 105–87

Printed for the use of the Committee on Government Reform and Oversight

U.S. GOVERNMENT PRINTING OFFICE

46–777 CC WASHINGTON : 1998

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OVERSIGHT OF STATISTICAL PROPOSALS

TUESDAY, JULY 29, 1997

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:03 p.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Sununu.

Staff present: J. Russell George, staff director and chief counsel; Mark Uncapher, counsel; John Hynes, professional staff member; Andrea Miller, clerk; David McMillen, minority professional staff member; and Ellen Rayner, minority chief clerk.

Mr. HORN. The meeting of the Subcommittee on Government Management, Information, and Technology will begin.

The economic statistics gathered and analyzed by the Federal Government are integral to public and private decisionmaking. The financial markets rise and fall based on the data provided by the government. Federal aid is determined and distributed using this information. Businesses make a wide variety of decisions with reference to these statistics. Although sound statistics and analysis do not by themselves produce sound public policy, they do provide the necessary foundation from which to identify problems, to evaluate options, and to monitor results.

We are here to consider three initiatives intended to encourage greater cooperation and coordination between the Federal Government's statistical agencies.

The first is the consolidation of the three main statistical agencies into a single entity. Introduced last Congress as the Statistical Consolidation Act, this measure would create the Federal Statistical Service as an independent agency. The Service would incorporate the Bureau of the Census, the Bureau of Labor Statistics, and the Bureau of Economic Analysis. This proposal directly addresses the need for better coordination and planning among economic statistical agencies.

The second initiative under discussion today is the creation of a commission. Senator Daniel Patrick Moynihan of New York has proposed that a commission be established to provide "a comprehensive examination of our current statistical system and focus particularly on the agencies that produce data as their primary product." The commission would be charged with recommending a

strategy to maintain a modern and efficient statistical infrastructure.

The third initiative is a data sharing proposal put forward by the administration. This measure would designate eight statistical agencies as statistical data centers and establish new laws to assure confidential treatment of statistical data in this environment. The bill would allow agencies to propose data sharing projects and would provide protections for the confidentiality of information.

All of these proposals share the goal of improving Federal statistical systems by reducing the organizational and legal barriers to greater coordination. Each seeks to address the fragmented nature of the Federal Government's statistical agencies. Our challenge now is to build a consensus for concrete steps toward reform. A very productive discussion has been under way for several months now between the House and the Senate. We are working for a rough outline for reform and are confident that an agreement will soon be reached between the two legislative bodies.

We are fortunate enough to be joined by experts who can help us move toward a consensus proposal. We begin with the view from the administration: Sally Katzen, Administrator, Office of Information and Regulatory Affairs, Office of Management and Budget. After Ms. Katzen, Dr. Edward J. Sondik, Director, National Center for Health Statistics, and Mr. Jay Hakes, Administrator, Energy Information Administration, Department of Energy, will round out the testimony from the administration.

We will continue the discussion by turning to some of the top minds working on statistical issues at the Federal level. They will help us to sort through the many complexities involved in improving Federal statistics, and we look forward to their testimony.

So welcome to all witnesses. We will begin with this panel. Since this is a separate hearing, we should swear you in.

[Witnesses sworn.]

Mr. HORN. We will note both Ms. Katzen and Ms. Wallman, the Chief Statistician of the United States, did affirm the oath.

We will begin with Ms. Katzen.

STATEMENT OF SALLY KATZEN, ADMINISTRATOR, OFFICE OF INFORMATION AND REGULATORY AFFAIRS, OFFICE OF MANAGEMENT AND BUDGET, ACCOMPANIED BY KATHERINE WALLMAN, CHIEF STATISTICIAN OF THE UNITED STATES

Ms. KATZEN. Thank you very much, Mr. Chairman. It is a pleasure to return to your subcommittee and to return to a discussion of this issue.

Your counsel provided me the opening line that I used the last time I was here to testify on this subject, when I said I hope this is the first of many opportunities to engage with your subcommittee on how best to enhance the efficiency and effectiveness of our Federal statistical activities. I was prescient then, and I am delighted to return to this subject.

In your opening statement you reflected on the goal—it is a goal we share—to improve the quality and usefulness of our Nation's statistics, even as we seek to maximize the effectiveness of scarce resources for statistical activities and minimize the burden we impose on the American public.

When I testified before you last March, I outlined a number of initiatives that we were pursuing to achieve this goal; and I would like to report briefly on the progress that has been made since that time.

First, with respect to the strengthening of confidentiality protections, we have now issued the Federal Statistical Confidentiality Order which officially took effect yesterday, July 28, 1997. In brief, this order establishes a consistent confidentiality policy for a dozen agencies initially and which other agencies may aspire to meet in the future. The analyses required by the order will provide a comprehensive assessment of current disclosure policies and practices for consistency with this governmentwide policy and will result in corrective action, if necessary.

Second, we have completed our work with the statistical agencies to prepare and submit to Congress the administration's proposed Statistical Confidentiality Act, which you and Mrs. Maloney introduced during the last session as H.R. 3924. In brief, enactment of this legislation would: create a credible governmentwide confidentiality umbrella that would guarantee that the entire government stands behind pledges of statistical confidentiality; create the legal presumption that data collected for any purpose may be used in a safe environment for statistical purposes; provide a consistent policy in all statistical data centers for treatment of confidential statistical data under the Freedom of Information Act; permit the data sharing authorities of the Paperwork Reduction Act to work without compromising confidentiality; and provide a privacy sensitive alternative to the creation of universal data bases that different departments have proposed at one time or another to support their own policy interests.

In short, the Statistical Confidentiality Act that we have put together permits the designated data centers and statistical agencies working with them to share both expertise and data resources in order to improve the quality and reduce the burden of statistical programs while preserving respondents' privacy. Moreover, however the organizational boxes for the ideal Federal statistical system may be drawn, this bill will permit the components of the statistical system to manage their data as if they were a single, functionally integrated organization. The administration's bill was transmitted to the Congress again on June 5 of this year, and we are eager to continue our work with you toward its introduction and passage.

Third, there has been progress to enhance coordination and collaboration among the statistical agencies in other areas as well. Perhaps most notably, when Director Raines took the helm at OMB last summer, he made clear the importance of greater integration of statistical agencies as a priority for budget review; and, to that end, he held for the first time in 20 years, a formal Director's cross-cutting review of Federal statistical programs. This review served to identify a set of high-priority, cross-agency initiatives that would ameliorate the increasing inability of our statistical system to mirror the current economy and to foster accurate allocation of increasingly scarce Federal resources.

In addition, Director Raines challenged statistical agencies to demonstrate further evidence of collaboration and to propose interagency initiatives that would address important national priorities.

I am pleased to report that the agencies have accepted that challenge and identified several activities to further improve the overall performance and efficiency of the Federal statistical system, including addressing the significant statistical issues associated with improving the measurement of income and poverty; organizing our efforts to meet emerging welfare and health data needs; strengthening data on national and personal income; and managing the transition to the new North American Industry Classification System. These and other collaborative initiatives will more closely link the statistical agencies and address important national priorities.

Mr. Chairman, the rest of my comments are set forth in my written statement; and I will not repeat them here.

I would like to use this opportunity to stress the importance of enacting legislation that would permit limited sharing of data among the principal statistical agencies for statistical purposes. I cannot overemphasize how critical this effort is, regardless of what decisions may be made about reconfiguring the statistical agencies.

I thank you, Mr. Chairman, for your patience; and I would be pleased to answer any questions you have.

Mr. HORN. We thank you for that statement.

[The prepared statement of Ms. Katzen follows:]

STATEMENT OF SALLY KATZEN
ADMINISTRATOR
OFFICE OF INFORMATION AND REGULATORY AFFAIRS
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
U.S. HOUSE OF REPRESENTATIVES
JULY 29, 1997

Mr. Chairman and Members of the Subcommittee:

I am delighted to return to your subcommittee to continue our exploration of paths toward a goal I am confident we share: improving the quality and usefulness of our Nation's statistics even as we seek to maximize the effectiveness of scarce resources for statistical activities and minimize the burden we impose on the American public.

When we testified before you on this topic last year, we outlined a number of initiatives we were pursuing to meet this goal. In particular, we discussed our efforts to:

- establish consistent confidentiality policies and procedures through an administrative order,
- draft legislation to create strong confidentiality safeguards that would permit selected statistical agencies to work more closely with each other, and
- improve coordination and cross-agency priority setting in the current environment.

I am pleased to report today that, working together, the agencies of the Federal statistical system have made considerable progress on those initiatives.

With respect to the strengthening of confidentiality protections, a function underscored in the Paperwork Reduction Act of 1995, we have now issued the Federal Statistical Confidentiality Order, which officially took effect yesterday, July 28, 1997. In brief, this order establishes consistent confidentiality policy for a dozen agencies initially and which other agencies may aspire to meet in the future. The analyses required by the order will provide a comprehensive assessment of current disclosure practices for consistency with this government-wide policy and will result in corrective actions where necessary. In some cases, these analyses may also identify and bring to the attention of the Congress statutory language that may have unintended adverse consequences with respect to the confidentiality of statistical information.

Second, as you know, since we last testified on these matters, we completed our work with the statistical agencies to prepare and submit to the Congress the Administration's proposed Statistical Confidentiality Act, which you and Ms. Maloney kindly introduced during the last session as H.R. 3924. In brief, enactment of this legislation would:

- create a credible government-wide confidentiality umbrella that would guarantee that the entire government stands behind the pledges of statistical confidentiality offered to the public by the eight Statistical Data Centers or by any other agency engaged in joint statistical projects with these Centers.

- create the legal presumption that data collected for most purposes may be used in a safe environment for statistical purposes. [This was one of the critical insights of the Privacy and Paperwork Commissions.]

- provide a consistent policy in all the Statistical Data Centers for treatment of confidential statistical data under the Freedom of Information Act (FOIA). [Although this was a matter of some controversy 15 years ago, six of the eight agencies designated by this legislation (all but BLS and EIA) now have in place statutes that meet the requirements of section (b)(3) of FOIA.]

- permit the data sharing authorities of the Paperwork Reduction Act (PRA) to work without compromising confidentiality; by establishing the "functional separation" principle in law, this legislation would facilitate the use of PRA mechanisms to promote and manage data sharing for exclusively statistical uses.

- provide a privacy sensitive alternative to the creation of universal data bases different Departments have proposed at one time or another to support their own policy interests; statistical methods (particularly sampling) coupled with secure data sharing can provide a natural hedge against the construction of larger data bases that can put privacy at risk.

In short, the Statistical Confidentiality Act permits the designated data centers and statistical agencies working with them to share both expertise and data resources in order to improve the quality and reduce the burden of statistical programs while preserving respondents' privacy. Moreover, however the organizational boxes for the ideal Federal statistical system may be drawn, this bill will permit the components of the statistical system to manage their data as if they were a single, functionally integrated organization. The Administration's bill

was transmitted to the Congress again on June 5 of this year, and we are eager to continue our work with you toward its introduction and passage.

Third, progress to enhance coordination and collaboration among the statistical agencies has been made in other arenas as well. Perhaps most notably, when Director Raines took the helm at OMB last summer, he made clear the importance of greater integration of statistical activities as a priority for budget review. To that end, he held the first formal Director's crosscutting review of Federal statistical programs in twenty years. This review served to identify a set of high priority, cross-agency initiatives that would ameliorate the growing inability of our statistical system to mirror the current economy and to foster accurate allocation of increasingly scarce Federal resources.

OMB's cross-cutting analyses focused on activities that cannot be fully reflected in the priorities of any one Department or agency. These include initiatives to address fundamental shortcomings in economic statistics, to modernize our most basic industrial classification system, to institute a program that will provide more timely and flexible demographic information, to improve the Consumer Price Index, and to provide statistical expertise in support of measurement challenges associated with the Government Performance and Results Act. These initiatives were ultimately included in the President's budget submission for FY 1998 and are highlighted in the section on "Strengthening Federal Statistics" in the *Analytical Perspectives* volume of the President's budget.

In addition, Director Raines challenged statistical agencies, and in particular the Interagency Council on Statistical Policy, an entity now codified in the Paperwork Reduction Act, to demonstrate further evidence of collaboration and to propose interagency initiatives that address important national priorities. I am pleased to report that the Interagency Council accepted that challenge, and is in the final stage of completing a report to Director Raines that outlines several high priority, cross-agency initiatives.

The initiatives highlighted by the Interagency Council complement and build on current collaborative accomplishments of the statistical agencies. The individual agencies already are partners in myriad activities that foster communication, innovation, efficiency and improved customer service. Among the several activities identified to further improve the overall performance and efficiency of the Federal statistical system in addressing changes in our economy and society are:

- addressing the significant statistical issues associated

with improving the measurement of income and poverty, including the availability and reliability of data required to implement any new definitions;

- organizing our efforts to meet emerging welfare and health data needs, through design of new questions or other modifications to existing surveys and the development of collaborative arrangements with the States;

- strengthening data on national and personal income by filling gaps in existing data sources; and

- managing the transition to the new North American Industry Classification System in a way that provides users with information to bridge the old and new classification structures.

These and other collaborative initiatives will more closely link the statistical agencies and address important national priorities.

As the Interagency Council pursued this challenge, the agency leaders once again highlighted the singular importance of enacting legislation that would permit limited sharing of data among the principal statistical agencies for statistical purposes. From the agencies' perspective, the benefits that would attend passage of this legislation include the following:

- It would permit development of integrated data base concepts for information on particular segments of the economy and society such as educational institutions (NCES, NSF, and Census), health care providers (NCHS, Census, and some program-specific agencies), and agricultural establishments (NASS, Census, and ERS). This approach would reduce current data collection costs and respondent burden, and would improve the consistency and quality of sampled data for meeting the needs of policy makers and the public.

- Collaboration on large sampling frames would improve accuracy and reduce maintenance costs; a more efficient division of labor would make it possible to maintain high quality frames at minimum cost -- both for list frames (Census, BLS, NASS) and area frames (NASS, NCHS, Census). [Coordination and shared use of relisting information (updates) in large multi-stage designs would also reduce frame maintenance costs.]

- Deriving highly targeted frame listings (or sample selection services) from improved master frames could reduce duplicative expenditures for many agencies that currently pay the costs associated with independently developing these

resources for specific surveys.

- Permitting access to specific (unpublished) data details that can resolve uncertainties in particular analyses (e.g., anomalies that arise in the GDP estimation process) would reduce errors in macroeconomic statistics without imposing additional burden.

- Coordination of sample selection across agencies could limit the total reporting burden that falls on any one household or company (and thus improve the level of respondent cooperation).

Our colleagues from the statistical agencies, including some who will testify later this afternoon, can provide further examples and details about opportunities that will be afforded by passage of the Statistical Confidentiality Act.

We recognize that the Congress currently is considering legislation that would include both provisions to enact our statistical confidentiality and data sharing proposals, and provisions that would study and perhaps lead to some centralization of statistical agencies. As I indicated in testimony last year, we believe there are considerable advances that can be --and indeed are being -- achieved without reconfiguring the agencies. But regardless of the outcome on that score, I want to emphasize that the provisions to strengthen confidentiality and permit limited sharing of data have been designed from the outset to work effectively in any organizational environment. These measures will improve the performance and effectiveness of the Federal Statistical System no matter how it is organized -- now or in the future.

Thank you, Mr. Chairman. I would be pleased to answer any questions you may have.

Mr. HORN. What I would like to know is, with the Federal Statistical Confidentiality Order which took effect yesterday, July 28, 1997, how much of the matter of limited sharing of data between agencies has been covered by that particular Executive order?

Ms. KATZEN. It does not cover sharing, but sharing is one part of a two-part process. The inhibitions to sharing, whether they be legislative or administrative, to date have been concerned about how different agencies will treat confidential information. So before we got to sharing, we wanted to ensure that agencies would keep confidential information confidential in a consistent, governmentwide approach; and the order that I signed was designed, to that end, to establish a governmentwide set of standards, or set of practices to ensure confidentiality.

With that in place, it seems to us that it is now easier to begin talking about sharing, since you know that, if you give data to one of the other agencies, these data will be treated with the confidentiality they deserve.

Mr. HORN. As I read your testimony, this really related to carrying out the Paperwork Reduction Act of 1995. Am I wrong on what you are saying on page 1?

Ms. KATZEN. We can use some of the authority under the PRA to do administratively the kinds of steps that we took in the order. So we used that authority to do administratively.

In terms of sharing data, which would be the second step, that requires legislation; and that is why we have sought to work so closely with you.

Mr. HORN. Give me an example of some of the data sharing that is needed, cannot be done now because it hasn't been authorized by the Congress. Give me an example of what you are worried about here. What are you trying to achieve?

Ms. WALLMAN. Do you want me to get into the act here?

Mr. HORN. Fine.

Ms. WALLMAN. There are a number of areas where we believe that progress could be made. The one that is best known to people, of course, has been the issue of lists or list frames for drawing samples, both for economic and other kinds of activities in the survey area.

We also believe that there are areas where having agencies capable of sharing one another's information could allow them to check out some quality issues that have become of increasing concern; but the agencies are currently, because of their current confidentiality laws, unable to undertake that sharing.

There are other areas where we see new prospects that merely haven't been examined previously given the history of the earlier legislation—areas in health, for example, where there are new opportunities for looking at issues related to industries that have health activities—health-related activities and hospitals that have health-related activities—a collage of activities—for example, benefits under these different programs.

My colleagues, actually, from the Energy Information Administration and the National Center for Health Statistics will provide better examples when they talk, and we have a number of other examples.

Ms. Katzen mentioned the work that the Interagency Council on Statistical Policy has been pursuing over the last several months. That initiative has come up with a fairly detailed list of opportunities that the agencies see; and, actually, that is what underscores our concern that we move forward on this legislation. Many of the opportunities for increasing the quality of information and restraining our costs at the same time lie in the passage of this legislation.

Mr. HORN. Well, is the sharing provisions of that legislation adequate to what you are talking about here? Does that give you the authority if Congress were to pass it?

Ms. WALLMAN. The legislation that we have proposed gives us the authority that is needed to carry out the kind of activities we are talking about, yes.

Mr. HORN. Are there any agencies that are exempted from that?

Ms. WALLMAN. The legislation actually works in the opposite direction, if you will. It empowers eight agencies to become statistical data centers. They are the core of the opportunity for sharing. In addition to that, other agencies would be able to work with the designated—excuse me, that comes from a historical part of my life—the statistical data centers.

So the opportunity is broader than the eight, but the eight are the ones that would be the centers of the activity.

Mr. HORN. So, in other words, as you just suggested, the sharing could go beyond the eight with other Federal agencies.

Ms. WALLMAN. With specific agreements with those agencies, yes, sir.

Mr. HORN. Do you have the eight in front of you there?

Ms. WALLMAN. I do have the eight in front of me.

Mr. HORN. Would you mind reading it into the record?

Ms. WALLMAN. I would be happy to.

Mr. HORN. What groupings are we talking about?

Ms. WALLMAN. We are speaking specifically about the Bureau of Economic Analysis, the Bureau of the Census——

Mr. HORN. Is that all one? Give it to me one, two, three, four.

Ms. WALLMAN. I am going to enumerate eight.

Mr. HORN. OK. Tell me when you move to two.

Ms. WALLMAN. No. 1 was the Bureau of Economic Analysis. I am doing these in alphabetical order, I believe. No. 2 is the Bureau of the Census; No. 3, the Bureau of Labor Statistics; No. 4, the National Agricultural Statistics Service; No. 5, the National Center for Education Statistics; No. 6, the National Center for Health Statistics; No. 7—it is slightly more complicated—the Energy End Use and Integrated Statistics Division of the Energy Information Administration; and No. 8 is the Division of Science Resources Studies at the National Science Foundation.

Mr. HORN. There are two obvious ones that are not there. Let me raise them. One is Social Security and the other is Immigration and Naturalization Service.

We have legislation in which would provide access, if they wish to, to chief State election officers, to county registrars of voters, if they are checking whether a person is a citizen of the United States. Since 1982, my understanding is that the Social Security Administration asks for documentation of citizenship.

Go ahead, if you want to take Ms. Katzen's advice. I will stop there and get to the next one.

So why wasn't Social Security included? This is a basic resource, and it isn't a matter of revealing one's amount that they are paid or anything else, but we also have the problem of hunting for deadbeat dads.

Ms. KATZEN. The comment I was offering to her is that there are two different—they are not totally unrelated and not mutually exclusive, but there are two quite different areas that you can be talking about when you talk about sharing information.

On the one hand, what we have been talking about to date and the reason the eight agencies were selected and what is reflected in our proposed legislation goes to the sharing of statistical information for statistical purposes. And that is, as we were mentioning the other day, we are talking about aggregate information and the ability to share information among those agencies that enable you to do basically two things:

One is to check the quality of the data that you have. Again, on an aggregate basis, individual personal identifiers are irrelevant. You are verifying the quality of the data.

The second purpose is to reduce respondent burden. In some instances persons will be responding to surveys twice, three times, or four times: if those to whom they are responding could share the data, we could minimize the burden on respondents. That is not just an end in itself, but that would then presumably heighten the respondents willingness to respond and that would provide us more timely and more accurate information. All of that is on a statistical information platform, if I could call it that.

On the other hand, the references that you have made to Social Security, to INS, and indeed even to IRS go to individual data for individual personally identified persons or entities. That kind of information can be used, if it were available and for the most part it is not because of statutory restraints to check for eligibility for benefits, to check for appropriateness of citizenship status or other types of programmatic administrative or enforcement efforts that are not necessarily aggregate information, but individually based information.

That type of sharing, which you can have under the Computer Matching Security Act, for example, and issues that are not the thrust of the confidentiality—I am sorry, the statistical data centers that we are seeking to establish here. The sharing of data that we have been talking about is the sharing of aggregate statistical information.

As I said, these two areas are not necessarily mutually exclusive. In fact, there are people in my office who are looking to expand areas where individualized data can, in fact, be shared. But that is a separate issue from the issue that has driven the discussion so far about enhancing the effectiveness of the statistical agencies which are developing statistical information for statistical purposes.

Mr. HORN. Well, you are talking about having accurate and adequate statistical information. It seems to me one way you do that, if you are worried about socioeconomic class, is you find out what the income was for those that answered the BLS bread basket

questions. You see if they are eating certain lines of food or certain purchases out in the market beyond food, is there a relationship, obviously, between income. And you would have accurate income data then if you could run the tape of those interviewed against what they file for income. So that is a socioeconomic class usage.

You can do the same with the health center. Maybe it is just too obvious that socioeconomic class, some people there with certain diseases and certain types of psychological whatevers, have it more than another socioeconomic class. So you can use that individual data.

Ms. KATZEN. Absolutely.

Mr. HORN. It isn't just a statistical problem on the board. It is the reliability of the government's statistics, which some of us have real doubts about, by the way, because we wonder why they do not do that.

To finish with the Immigration and Naturalization Service, obviously one way to check citizenship on voting—and I would hope the administration would agree that the sanctity of the ballot box—is something that all parties ought to agree about, that you want only citizens voting. I would hope the administration would take that view.

If they do, then we need to know the citizenship information held by Social Security and we need to know the natu- ralization information. So a person can be made eligible to vote through the naturalization process, and we ought to be encouraging that.

Ms. KATZEN. I am not saying that it is not desirable to be able to link those data bases and provide that information. I am saying that is a different subject than determining how many in the aggregate of one socioeconomic class or another—how many have how much income, or what type of health problems, what type of other types of issues, is very different from saying you are going to track a particular person through various data bases.

That was the only distinction I was making. The two are not mutually exclusive, and to my mind there is enormous benefit to be derived from the linking of those types of data bases for the checking and cross-checking purposes. There are costs to that which are very significant.

If you go anywhere near the IRS data base, there is a very strong wall that is built; and that is done because tax forms are filed, in effect, voluntarily. If people feel their tax information will be used to their detriment without their knowledge, there may be an adverse effect on the response rate, which conceivably could be very significant.

So those kind of issues I think are very real. I am not saying they are dispositive or they are not worthy of consideration. I am just saying they are a different type of issue than what we have been focusing on in the preparation of our proposed legislation. We are working in the other arena as well, but they are two different arenas. That was the only point I wanted to make.

Mr. HORN. As to the walls within the Immigration and Naturalization Service, let's say, we find for some people those walls are easily broken down and we will be checking that. One subcommittee has already. Some people get lists of naturalized citizens, and

the other people don't get lists of naturalized citizens. So you could even write them a congratulatory letter.

But it seems to me they make various decisions that don't necessarily apply to all of us, just some of us. So I am curious about that, and another Subcommittee on National Security is probably examining that one.

Well, what do you think about the commission proposal that was outlined? I am sure you are familiar with it. Senator Moynihan introduced it. He and I agreed we will try to work something out, that this commission would perhaps come up almost like a base closure commission, after taking a lot of testimony, and come in with a plan on the integration; and we either vote it up or down, one way or another. That is sort of a popular device around here on controversial things that we otherwise don't put our fingers on.

So whether that would be the outcome, it is hard to say. We don't know what the commission might do. But have you thought through some options of what a commission might do and what its agenda should be?

We are searching for ideas, in brief. You have always had good ideas. So what are they?

Ms. KATZEN. When I appeared last time before your committee, we spent a lot of time talking about the costs and the benefits of rearranging the boxes, and I think a lot of work has gone into thinking about those issues.

The benefits are fairly obvious; the disadvantages are less so, but nonetheless real. A commission might be able to approach it with bipartisan, professional individuals of stature committed to the same common goals and shed more light on the issue.

We know that a lot of work has been done in the past, and that undoubtedly more work will be done in the future. Our attempt has been to try to make the most effective, efficient use of the resources that we have and, within the constraints that are established by the shape of the executive branch, once by the organization of the Congress in terms of different committees with different jurisdictions, to try to weld this group together in a way that is going to maximize the benefits.

Any help that can be given to that effort, any support for our initiatives, would be greatly appreciated. And therefore I would hope, if a commission were formed, it would think not just about rearranging the boxes, but also whether, short of reorganization, there are important steps that can be taken to enhance the accuracy, timeliness, and reliability of statistical information.

The items that I identified in my written statement and my oral statement that we have undertaken are, I think, very good prospects. We can use all the help we can get in terms of support. And I am sure we do not have all of the answers. I am not even sure we'd know all of the questions.

So bright minds focused on this issue could be highly desirable.

Mr. HORN. On that point, you mentioned timeliness of data. Are there particular concerns in terms of the timeliness related to decisionmaking that any administration has to make? Or what is your feeling on that?

Ms. KATZEN. Statistical information is used not just by decisionmakers within the government, but also by those in the

private sector. They run from very large and much anticipated announcements of unemployment increases and decreases, or GDP numbers, to more focused, specific—sometimes sector-specific, sometimes geographic-specific—types of data.

In some instances, there have been criticisms in the trade press and in the general press of whether they are able to—notwithstanding all of our computer power, whether we are able to gather the information necessary, to make it available, particularly to the private sector as well as the public sector, on a timely basis.

Mr. HORN. Director Raines, when he asked for the crosscutting study and the analysis, has that come in yet?

Ms. KATZEN. Yes, we did that—time flies when you are having fun; it was last October, in anticipation of the fiscal year 1998 budget. There is an annual budget review, a Director's review, preceding the formulation of the President's budget each year.

Traditionally, they have gone area by area as set forth in the President's budget. This year, Director Raines called for the inclusion in that process. It was actually October or November, he included a crosscutting review for the statistical agencies; and Ms. Wallman and I appeared at the Director's review with a series of proposals that we thought would enhance the effectiveness of the statistical agencies, looking for proposals that were not solely based in one agency but that would be able to assist a number of agencies. I have identified some of those in my written testimony.

The last one that I mentioned, for example, has to do with enhancing the use of information for the Government Performance and Results Act. We are looking for outcome measures from the various agencies as part of the new management approach that I think is extraordinarily important and productive for the executive branch; and the ability of agencies to provide the information that is necessary to make that work is one that no single agency would want to devote its particular resources from its statistical agency to that effort. But as a crosscutting matter, this is something where relatively few dollars could go a very, very long way to everyone's benefit.

There are a number of other areas that we identified that involved different issues that we thought were very important. Some of those I remember were located in BLS, one of them having to do with the CPI and the additional work that was appropriate in that area that Congress has identified and the executive branch has identified and we wanted to support; moving to the North American Industry Classification System, implementing that, which would assist a number of different agencies. We identified five or six different initiatives, and the Director was very positive and responsive and approving of our proposals.

Since then, Ms. Wallman has gone back to the Interagency Council and said, for this year's crosscutting review, why don't you all help us formulate the initiatives and proposals to present to the Director? They have been very responsive and enthusiastic about that, and I expect this October or November we will have a bigger and better menu to choose from.

Mr. HORN. Any comment, Ms. Wallman?

Ms. WALLMAN. No. Ms. Katzen has it just right.

I think the distinction she was trying to draw at the close of her remarks was that much of what was done in the fiscal 1998 budget was done internally within the Office of Management and Budget, based on knowledge of the staff over the years. The activity that is about to come to completion this year toward fiscal 1999 and the future—it is not just a 1-year effort—I think I would underscore that—that that has been done in a much more outgoing way, if you will, with the agencies that form the Interagency Council on Statistical Policy, the 14, and that has helped us identify a broader, richer set of activities, some of which could start immediately, some of which we need to put some more thinking into, frankly, before we would come forward with specific proposals in a budgetary sense.

The third group of activities, I underscore again, includes things that would be available under sharing capabilities we don't now have.

Mr. HORN. When the crosscutting study was done, I take it was strictly OMB people on that, or were agency people also on that review?

Ms. KATZEN. Last year it was an internal OMB meeting.

Mr. HORN. I gathered it was just OMB.

Ms. KATZEN. This year we expect to have more input, although all Director's reviews are internal only, for each of the departments and agencies. OMB staff presents the outstanding issues to the Director.

Mr. HORN. Can we get a copy of that review to see what the recommendations were?

Ms. KATZEN. I will be happy to look into that.

Mr. HORN. Look into it. We will put it at this point in the record. If they don't want it public, we will work out something. I would just like to see what some of the thinking is.

[The information referred to follows:]

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ANALYTICAL PERSPECTIVES

BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 1998

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11. STRENGTHENING FEDERAL STATISTICS

Our democracy and economy require unbiased, relevant, accurate, and timely statistics that public and private decision makers can use to improve the outcomes of their actions. Data on real Gross Domestic Product (GDP), the Consumer Price Index (CPI), and the trade deficit, for example, are critical inputs into monetary, fiscal, trade, and regulatory policy. They also have a major impact on government spending, budget projections, and the allocation of Federal funds. Economic data, such as measures of price change, have as well a significant influence on interest rates and cost-of-living adjustments that affect every American who runs a business, saves for retirement, or takes out a mortgage on a home.

The U.S. Federal statistical system comprises some 70 agencies that collect, analyze, and disseminate information for use by governments, businesses, researchers, and the public. Approximately half of the funding for the statistical system provides resources for ten agencies that have statistical activities as their principal mission. (Please see Table 11–1.) The remaining funding is spread among some sixty agencies that carry out statistical activities in conjunction with other missions such as providing services or enforcing regulations.

Under the aegis of the congressionally-mandated Interagency Council on Statistical Policy (ICSP), the principal agencies of the statistical system are making considerable progress in working together to improve the usefulness and the usability of all of their work. Priorities include, for example, better articulating the statistical activities of various agencies in the areas of families and children, wages and benefits, and health. Currently nearing completion is the inaugural presentation of a "one-stop shopping" service that is designed to encompass the electronic products of all seventy agencies and will help render the decentralized statistical system transparent for users. A most promising development to improve the quality and efficiency of Federal statistical programs is a legislative proposal that would allow the sharing of confidential data among statistical agencies under strict safeguards. Passage of this legislation and a complementary Treasury bill is a top priority of the Administration for the 105th Congress.

Despite these accomplishments, however, rapid changes in our economy and society, coupled with limited resources to enable the statistical agencies to keep pace with these changes, have eroded the relevance and the reputation of our statistical system. Fortunately, the most serious shortcomings of the Nation's statistical infrastructure could be substantially mitigated by a limited number of initiatives. Proposals set forth in the Administration's budget would ameliorate the growing inability of our statistical system to mirror the current economy and to foster accurate allocation of increasingly scarce Federal resources. In particular, the initiatives would:

- address fundamental shortcomings in economic statistics to provide a comprehensive, integrated, and internationally comparable statistical base that measures economic growth, trade, inflation, and productivity (please see highlights for the Bureau of Economic Analysis, the Bureau of Labor Statistics, and the Bureau of the Census);
- modernize our most basic industrial classification to reflect the structural and technological changes that have occurred in the economy over the past twenty years and facilitate economic analyses that cover the entire North American Free Trade Agreement area (please see the North American Industry Classification System (NAICS) discussions in the highlights for the Bureau of Labor Statistics and the Bureau of the Census);
- improve the timeliness and accuracy of the Consumer Price Index to permit more rapid revision in future years, to produce alternative measures of the change in the cost of living, and to allow more timely introduction of new goods into the CPI (please see the CPI discussion in the highlights for the Bureau of Labor Statistics);
- lead to the provision on an annual basis of more accurate and flexible nationally comparable community-based data that are used, among other things, to allocate more than $100 billion in Federal funds each year (please see the Decennial Census and Continuous Measurement discussions in the highlights for the Bureau of the Census); and
- capitalize on the strengths of several statistical agencies to facilitate quantitative measurement and valid comparisons of performance under the Government Performance and Results Act.

The following highlights elaborate on the Administration's proposals to strengthen the programs of the principal Federal statistical agencies.

HIGHLIGHTS OF 1998 PROGRAM CHANGES FOR PRINCIPAL STATISTICAL AGENCIES

Bureau of Economic Analysis: Increases are requested to: (1) implement the next steps in BEA's Mid-Decade Strategic Plan to improve measures of output and prices; (2) provide better measures of investment, savings, and wealth; (3) increase coverage of international transactions and (4) enable BEA to move its information processing from its 1970's vintage mainframe computer to an integrated local area network environment by the year 2000.

Bureau of Justice Statistics: Stable funding is requested to maintain BJS's core statistical programs including the National Crime Victimization Survey, the Survey of Inmates in State and Federal Correctional Facilities, the 1998 Census of Jails, and the Criminal Justice Expenditure and Employment Survey.

Bureau of Labor Statistics: Funding is requested to: (1) continue revision of the Consumer Price Index (CPI) with release of the revised index based on the new market basket with data for January 1998, the revised housing sample with data for January 1999, and the completed revision in 2000; (2) develop a program to explore improvements to the CPI revision process that would make it possible to revise the CPI more rapidly, allow BLS to produce alternative measures of change in the cost of living, improve the measurement of changes in the quality of goods and services, and provide a basis to bring new goods into the CPI on a more timely basis; and (3) replace the Standard Industrial Classification (SIC) with the new North American Industry Classification System by beginning the re-coding of each workplace in BLS' establishment list using the new classification.

Bureau of the Census: Funding is requested to: (1) prepare for the conduct of the 2000 Census including developing a comprehensive address list, conducting a dress rehearsal to test and evaluate new methodologies and systems to make the Census 2000 more accurate and less costly, and working with private sector partners to develop modern technology for more efficient and accurate data processing; (2) continue the development and testing of the Continuous Measurement program that will provide nationally comparable and consistent community-based data on an annual basis and permit elimination of the census long form in 2010; (3) conduct the Economic Censuses and the Census of Governments for the 1997 reference year; (4) begin implementation of the North American Industry Classification System that will harmonize industry coding among Canada, Mexico, and the United States; (5) implement the Automated Export System that will improve customer service during the collection of export facilitation and compliance information as well as trade statistics; and (6) perform research and support activities related to reviews and possible revisions of Federal standard classifications of metropolitan areas, occupations, and race and ethnicity as well as the definition of poverty. In addition, funding was provided by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 to conduct the Survey of Program Dynamics to provide data to assess the impact of welfare provisions in that bill.

Bureau of Transportation Statistics: Increases are requested to: (1) expand BTS data collection programs, develop analytical tools, and initiate a program of technical assistance to make national data sets more useful to State and local transportation decision makers; (2) lead the Transportation Department's development of more relevant and timely transportation system performance indicators to improve the information base supporting government and private sector transportation-related decision making; and (3) initiate data collections and analyses to improve the interfaces of domestic transportation with international systems.

Economic Research Service: Increases are requested to: (1) improve data collection efforts on farming practices, including management of livestock waste, nutrients and pesticides, and irrigation; and (2) using these data, analyze the practices farmers are adopting and how effective the practices are in achieving United States Department of Agriculture conservation goals.

Energy Information Administration: Reductions in requested funding from the 1997 enacted level will reduce the frequency of the Residential Energy Consumption Survey to a quadrennial basis; eliminate, consolidate, or reduce the frequency of several data collections and publications; and decrease the availability of hard-copy reports, although electronic dissemination will increase as will data collection and analysis in response to electric industry restructuring.

National Agricultural Statistics Service: An increase is requested to implement the transfer of the Census of Agriculture from the Bureau of the Census to NASS, a shift that will more closely integrate the expertise of State agricultural officials in the conduct of the census and is expected to produce a more complete and accurate census while generating an offsetting cost reduction of $1 million in NASS list development and maintenance costs for other survey programs.

National Center for Education Statistics: Increases are requested to: (1) adjust the frequency of the National Postsecondary Student Aid Study from a five to a four year cycle; (2) initiate the Education Longitudinal Study 2000 to provide data on high school students as they progress through secondary school to postsecondary education and the world of work; (3) provide funding for continuation of the International Mathematics and Science Study; (4) support a School Crime Supplement to the National Crime Victimization Survey; (5) add a first grade fall collection to the Early Childhood Longitudinal Study Kindergarten Cohort to

measure school effects, student growth, and the effects of summer vacation on growth; (6) prepare for an Adult Literacy 2002 Study to ensure a ten year cycle for adult literacy data; (7) provide infrastructure support for local school districts to update the International Mathematics and Science Study data for grades 4, 8, and 12; (8) begin preparations for the Early Childhood Longitudinal Study Birth Cohort to provide high quality data on children's experiences prior to entry into formal school settings; and (9) fund the National Assessment of Educational Progress to assess reading at the national and State levels every two years.

National Center for Health Statistics: An increase is requested to fully fund the National Health and Nutrition Examination Survey which is a fundamental source of data for monitoring trends in diseases and nutritional status, identifying health risk factors, and facilitating epidemiological research.

Table 11–1. 1996–1998 BUDGET AUTHORITY FOR PRINCIPAL STATISTICAL AGENCIES

(In millions of dollars)

	1996 actual	1997 enacted	1998 request
Bureau of Economic Analysis	40.5	40.9	47.0
Bureau of Justice Statistics	21.4	21.4	21.5
Bureau of Labor Statistics	343.1	380.8	379.5
Bureau of the Census	285.7	355.5	671.2
Periodic Censuses and Programs	150.1	210.5	523.1
Salaries and Expenses	133.6	135.0	138.1
Survey of Program Dynamics[1]	10.0	10.0	10.0
Bureau of Transportation Statistics	16.4	24.8	31.1
Economic Research Service	53.1	53.1	54.3
Energy Information Administration	72.2	66.1	62.8
National Agricultural Statistics Service	61.1	100.2	119.9
National Center for Education Statistics	78.0	79.8	101.8
Statistics	48.2	50.0	66.3
Assessment	29.8	29.8	35.5
National Center for Health Statistics	77.5	98.1	89.4
PHS Evaluation Funds	40.1	48.4	70.1
Budget Authority	37.4	37.7	19.3

[1] Funding is provided by the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

Mr. HORN. The Interagency Council, is that established by Executive order essentially?

Ms. KATZEN. It was established originally—or a variation of it was established originally—by our office, but it was, in effect, codified in the Paperwork Reduction Act of 1995, which gave it a congressional imprimatur and a formal name. Ms. Wallman is the chair of that organization.

Mr. HORN. The 14 include you, Ms. Wallman, or are they in addition to you?

Ms. WALLMAN. They are agencies, and I am the chair ex officio.

Mr. HORN. Sure. So the 14 essentially recognize the major statistical agencies in the executive branch?

Ms. WALLMAN. Yes.

Mr. HORN. Should it be larger than that? Are there others that have their feelings hurt? What are a few more seats at the table?

Ms. WALLMAN. If I might, the eight I enumerated for you in terms of the Statistical Confidentiality Act are indeed the first eight in that group. There were four more that were added actually by my predecessor in this position. And we have, in fact, entertained petitions, if you will, from agencies that particularly wish to be members and sit at this table; and we have embraced a couple of additional agencies on that basis.

The legislation that the Congress passed in 1995 also suggested that we include on a rotating basis the heads of some of the smaller agencies. In effect, we have been doing that in adding the extra agencies we have embraced already and would certainly be willing to entertain others. Most recently, we brought in the Social Security Administration's office responsible for statistics.

Mr. HORN. Are they smitten by their title or function within the agencies, or does the Administrator simply appoint them?

Ms. WALLMAN. The members are the heads of the agencies themselves. Dr. Hakes and Dr. Sondik, who will join you shortly, are the heads of their respective agencies and sit at the Council table.

Mr. HORN. Let me ask you one question. I will then call on Mr. Sununu.

I understand from your testimony that under the administration's statistics 2000 initiatives, private respondents, individuals and businesses could save tens of millions of dollars in compliance costs and reduced burden hours from filling out Federal Government surveys. Are there any estimates of the burden hours that could be saved as a result of the administration's data sharing proposal? Do you have an estimate on that? And how did you find out what that burden-sharing was?

Ms. WALLMAN. No, we do not have a specific estimate at this point of respondent burden hours that would be saved.

I think that, in all fairness, the only place we could probably come even close at this point on giving you some estimates would be in the area of developing sampling frames.

Some of the other opportunities that I mentioned briefly and that my colleagues may mention in more detail in a few minutes are new proposals where we really don't have a good base of prior experience to give you a very firm estimate, but it is the kind of thing we would hope to look into when this becomes a reality.

Mr. HORN. Well, we would like to hear about that. Because, obviously, everybody that ever walks into a small business, a large business or a farm, they all hear about Federal paperwork and surveys, no matter how useful some of that might be.

I recall in the Roosevelt administration Secretary of Agriculture Wallace went out visiting some farmers. When he came back, he was livid at all of the forms his own agency was sending to farmers; and that is when he invested in a fairly sophisticated statistical operation in the Second World War. So it is not a new problem. It is an old problem.

Of course, that is why old BOB, and now OMB, your job is to clear statistical surveys; and, hopefully, that burden thing is somewhere in the mind and we can say do we really need to know this when somebody has a great idea. It might make a terrific doctoral dissertation, but do we need to burden the American people with that?

Ms. KATZEN. The burden is very much in the forefront of our mind.

Mr. HORN. How many requests do you get a year from departments, a ball-park total, or file it for the record if you want.

Ms. KATZEN. I will be happy to provide a general statement.

[The information referred to follows:]

Over the past ten years, we have received between 2500 and 3500 requests for information collection approvals annually. These totals include all types of collections—those required to carry out regulations and to administer benefit programs, as well as statistical surveys.

Ms. KATZEN. A wide variety of information collection requests that we receive, whether it be for statistical agencies per se, we have now again—as part of the GPRA approach, we have a series of departments and agencies who are interested in sending out something which might be considered customer service surveys to find out whether the department or agency is, in fact, serving the needs of the constituent interests.

That is a very different type. Some of those are on a voluntary basis. They still would be counted under the Paperwork Reduction Act. We would still look at those to ensure that not only the burden is kept to a minimum, but they are structured in a way to produce accurate, responsible information.

Then you have a lot of other types of information collections, ranging from tax forms to applications for passports, applications for loans from the SBA, or from an educational student loan. Each of these is called an information collection request, and they all come through our office, and they are very different kinds of animals.

Mr. HORN. I would hope, since we are trying to get results under the Government Results Performance Act, that those surveys, if they make some sense, are just good public policy. I think they are useful in one agency head or more in fulfilling that law which we feel very keenly about. So I would hope those are not dumped. And if they are not very well-designed, then I would hope the administration or OMB would just redesign them.

Ms. KATZEN. We are actually working toward that. We have a generic clearance process to enable us to quickly approve certain types of forms; and where there are issues spotted, Ms. Wallman's

able staff has been of assistance to the departments and agencies to redesign them so that the resulting information is more valuable.

Mr. HORN. How many survey requests do you turn down in the average year?

Ms. KATZEN. I would have to get you that information.

Mr. HORN. Could you, please?

[The information referred to follows:]

In 1996, we received a total of 2433 requests for information collection approvals. Of those, 19 ultimately were disapproved. Details on the submissions and disapproval's by department were as follows:

1996 PRA SUBMISSIONS

Agency	Reviews	Disapprovals
USDA	160	2
DOC	98	1
DOD	34	0
ED	170	3
DOE	11	0
HHS	281	2
HUD	82	0
DOI	86	5
DOJ	56	0
DOL	121	0
STATE	11	0
DOT	125	0
TREAS	316	0
VA	27	0
EPA	148	4
FCC	163	0
SEC	82	0
SSA	67	0
FAR	54	0
NRC	47	1
OTHER	294	1
TOTAL	2,433	19

Ms. KATZEN. Our objective is not to turn them down but rather to enhance their utility or point the department or agency to another place where they could get that kind of data without having to conduct their own survey. It is therefore a false measure to say, if we turn a certain amount down, it says something about either how careful or how creative we are being.

Mr. HORN. Well, we will save a little place in the record for that exhibit. I would be interested, as stupid as I am sure it is, to see how many you turn down and say this shall not pass the gate.

If it makes sense to share data, which you are into sharing data, to get more cooperation between agencies through data sharing, why not go one step further and just combine agencies? How do you feel about that?

Ms. KATZEN. As I mentioned to you the last time I testified, there may be certain benefits of efficiency of operation, although those would be more long-term, and in the short-term there is enormous disruption from moving agencies around. We have seen this in other areas of reorganization within the executive branch.

In addition, as many in business have discovered with their R&D projects, for example, it is very different to have a centralized R&D office and R&D groups that are located in the heart of a product manufacturing area or service provision area, so that the R&D is actually tied to the products or services rendered. Using that analogy in the statistical agencies, it is clear that in addition to several major statistical agencies, there are a number of—I don't want to call them minor—but less major agencies in each of the departments that are responsive to the programmatic needs of that department.

If one consolidated all of the major statistical agencies and each of the small pieces of statistical agencies found in the executive branch, there is, to my mind, a very strong likelihood that what would be created would not be responsive to the needs of the Department of Education or to the Department of Agriculture or the Department of the Interior; and those Departments would then, in effect, recreate to meet their own needs certain information-gathering processes.

There is, of course, a distinction between the collection of information and the analysis and the application of that information. Those are three different steps. But once one speaks about consolidating, one has to think about the uses of information. That is why I said earlier I think it is a more complicated question than just taking an organization chart and moving a bunch of boxes around. And the agencies in many instances, have well served their departments and in turn have been enhanced in their approach to collection by being located in a department or agency that has a particular programmatic jurisdiction or objective. It can go either way, functional or programmatic.

So my own view, as I expressed last year, was that I thought it would be more productive to form a, if I can use the term, "virtual" or functionally integrated statistical system from the existing decentralized system and not try to centralize it all.

My experience in the past year, particularly with the efforts that Director Raines undertook, that Ms. Wallman has done with the Interagency Council, has reinforced that view, that we can make

the decentralized system work more effectively, more efficiently, and we do not need to centralize it.

Mr. HORN. On that note, I will yield to the gentleman from New Hampshire for as long as he likes, Mr. Sununu.

Mr. SUNUNU. Thank you, Mr. Chairman. I have only one focus question, and that is on the issue of the States' interaction and the States' relationship to any data sharing that might occur.

I would imagine a number of government surveys rely on State and local governments for data collection and that these collections would have certain confidentiality restrictions associated with them. With the data sharing legislation that you have been discussing, what would be the effect on the States doing the collection and what kinds of confidentiality agreements that would be in place might hinder the data sharing once it gets to a particular agency?

Ms. KATZEN. Well, I think there are three types of possibilities, and that is State information, which is then shared with the Federal Government; Federal information, which is shared with the States; and sharing among the States. Each raises different kinds of issues.

With respect to State information that is given to the Federal Government, I think that with the confidentiality order that is in place now and the action that will be taken following on the heels of the effective date of that order, I expect that information that the States give to the Federal Government would be treated with confidentiality and that we could so persuade the States of the confidential treatment that will be afforded to that information so as to minimize, if not eliminate, the concerns that they may have from their respondents.

Mr. SUNUNU. Would that simply require a rewriting of the confidentiality agreements to include all of the agencies involved in the data sharing agreement?

Ms. KATZEN. To some extent, many of those are already covered by the order that is in place. If there were others that would be affected, new agreements probably would have to be crafted. Although, as I indicated, the standards set out and the processes set forth in our order are ones which we hope other statistical agencies will aspire to meet, and that would solve that problem.

With respect to sharing of Federal information with the States, that is a bit more problematic in that some of the States do not have the experience with what we call the functional separation principles that have often been at the heart of the discussions of these kinds of issues in which you are separating out statistical information for statistical purposes from the use of statistical information for programmatic, administrative, or enforcement purposes.

If that functional separation principle is in place and followed, then there would be less concern with sharing Federal information with the States or among the States. All of this would depend in part upon the legislation that we have proposed. In fact, it depends in large part on the type of legislation we have proposed, because virtually all of the agencies and departments have existing provisions that preclude such sharing, and we would have to legislate that matter before we even begin to think in terms of contractual agreements to that end.

Mr. SUNUNU. Thank you very much.

Thank you, Mr. Chairman.

Mr. HORN. I thank the gentleman.

Let's now take a look at a few other areas. Let's discuss the dissemination of Federal Government statistical products.

Where do we stand on creating a single point of access to the Federal Government information?

Ms. KATZEN. We stand beautifully. Several months ago we initiated Fedstats, which is a website that would enable someone who does not know ahead of time where information is deposited to access information in a variety of different ways. You can do it by topic, alphabetically, there is a finder's guide that shows different topics. You can do it thematically, and there are other types of user-friendly tools.

Once you accessed the system and we showed how you did not need to know in advance whether automobile accidents by persons during working hours, was it BLS or Department of Transportation, you could just get the information. And once you got on to that, it would take you directly to the home page of the agency that had the information and cross-linked to a number of the other agencies.

We got extraordinarily positive response, in addition to a lot of what they called hits on Fedstats when it first went up, and it has continued since then. We were chosen for a particular commendation by a number of the trade press, site of the week, site of the month, latest, greatest breaking events in town type commendations and awards.

We have continued to watch that and are continuing to build that; and our objective is to have all 70 agencies up there with their information. This is something which, as you know, the Office of Information and Regulatory Affairs takes very seriously the responsibilities to disseminate government information. It is, in fact, a national resource and asset; and the American people should have access to it in the most user-friendly way possible.

Mr. HORN. Is it correct that the Bureau of the Census plans to put the year 2000 census on the Internet?

Ms. WALLMAN. I guess——

Mr. HORN. As Chief Statistician of the United States——

Ms. WALLMAN. Who didn't know the answers this morning. I guess I was trying to better understand your question, Mr. Horn. If you mean the results of the census, the kinds of information that have previously——

Mr. HORN. I mean the results, once you get them.

Ms. WALLMAN. You are speaking of aggregate information again? Or information that can be released pending assurance of the confidentiality of the information?

Mr. HORN. I am talking about simply the normal census which we now have in libraries.

Ms. WALLMAN. Yes, sir. The answer is yes.

Mr. HORN. Now, if you do that, are you also going to publish it in normal book form?

Ms. KATZEN. This has been an ongoing discussion we have had. Under Circular A–130, which is the bible for information dissemination, our position is we are clearly entering an electronic age,

and information should be made electronically. But that does not mean that everybody has a computer or a website or modem, and that paper-based products remain a very important part of our law and literature and life in this country.

One of the issues that we are grappling with is ensuring that the depository libraries, who receive many of these products, continue to have their shelves restocked, both electronically and in paper, as we sort through these kinds of issues. This has been an ongoing discussion that has had to do with the Government Printing Office and the printing policy and title 44 of the U.S. Code that we are involved in, even as we speak and at present I think are very challenging but great opportunities for us all.

Mr. HORN. Well, I think you are absolutely correct on that, and I am not undecided on that question that we do need both. And it might change 20, 40 years from now; but, certainly for the depositories, I think it is needed to continue those series so the people that do not work the Internet, fine, although I am sure that some people will say all 5 years old and up over the next 50 years will have them appended to their body and carry around the key. But we haven't gotten there yet. So I am glad to hear rationality still prevails in this area.

Let's see, do we have anything else we want to talk about? I think that is about it. If we find something that we wish we had asked and didn't, I know you are good enough to answer the question or have 60 people answer it, and you will at least clear it. So that is what we are going to work out.

Sorry to keep you so long on the stand. Sorry I was a little late. But I think we are getting there.

Thank you both for your help, as usual.

OK, we now have our next panel, panel II: Edward J. Sondik, Director, National Center for Health Statistics; Jay Hakes, Administrator, Energy Information Administration, Department of Energy; Everett Ehrlich, former Under Secretary for Economic Affairs, Department of Commerce, Clinton administration, ESC Corp.; Mark Wilson, Rebecca Lukens fellow in labor policy, Heritage Foundation; Mary Susan Vickers, research director, Interstate Conference of Employment Security Agencies, Inc.

Welcome to all of you.

As you have gathered, since this is a Government Reform and Oversight Committee, we do ask you to take the oath when you testify.

[Witnesses sworn.]

Mr. HORN. The clerk will note that all five witnesses have affirmed, and I think we will just go down the line with Mr. Sondik at this side and work our way down. So the Director of the National Center for Health Statistics.

STATEMENTS OF EDWARD J. SONDIK, DIRECTOR, NATIONAL CENTER FOR HEALTH STATISTICS; JAY HAKES, ADMINISTRATOR, ENERGY INFORMATION ADMINISTRATION, DEPARTMENT OF ENERGY; EVERETT EHRLICH, FORMER UNDER SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF COMMERCE, CLINTON ADMINISTRATION, ESC CORP.; MARK WILSON, REBECCA LUKENS FELLOW IN LABOR POLICY, HERITAGE FOUNDATION; AND MARY SUSAN VICKERS, RESEARCH DIRECTOR, INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Dr. SONDIK. Thank you very much, Mr. Chairman.

Protecting confidentiality is a fundamental value at NCHS and in all statistical agencies. It is impossible to overstate its importance.

We also recognize that we have a responsibility to respond to the taxpayers to maximize the use of their data. We continue to develop new approaches to making data available and the detail needed without compromising our responsibility to avoid disclosures about individuals.

I am pleased that the subcommittee is considering perhaps the most important of these approaches, data sharing. I would like, first, to address briefly two related topics: coordination within our departments and across the statistical system.

Within our departments, we Federal statistical agencies work closely with programs, subject matter specialists, and policy-related offices. As NCHS Director and Senior Adviser to the Secretary, I work with the HHS Data Council to integrate the department's statistical efforts and bring a strategic focus to our information needs.

Each of the statistical agencies also has a distinct role in coordinating statistical efforts across departments. I have been impressed by the agencies ideas and actions for coordinating our efforts, promoting system-wide efficiency and minimizing duplication. The strength of this decentralized system is that it allows relevance by keeping data close to its use. This makes for a solid foundation that allows us to tap into each other's unique expertise, resources, and technologies. It also enables us to serve multiple purposes—at the macro level, with national economic and social indicators, and at the micro or program level, where data is critical to the operation and accountability of innumerable Federal programs.

Data sharing is important to many of the most important interagency initiatives. It can only be accomplished with legislative changes proposed by the administration and introduced by you and cosponsored by Representative Maloney of the 104th Congress.

Many of the confidentiality statutes currently in place were written narrowly to address statistical agencies on a one-by-one basis rather than apply to the system as a whole. As the agencies have evolved, efficiencies and analytic benefits could result from greater flexibility.

Indeed, our efforts are increasingly interrelated with the other agencies. For example, with health at 13.6 percent of the gross domestic product, there is a considerable confluence of interest, you might say, between NCHS and its counterparts in economic statistics.

In my written statement I have included several examples of how data sharing authority could be used to improve the design and sampling of our population, business and health care organization surveys, and to establish joint research data centers. Data sharing, for example, could foster the development of new longitudinal studies of children that would begin at birth and address the interaction of child health, education, development and so forth. With data sharing, NCHS and the National Center for Education Statistics could more readily collaborate on such efficient multipurpose studies.

Regarding scope, I believe that data sharing should not be limited to just three agencies, the three involved with the greatest involvement in economics; and I have three reasons. First, as I noted, there is a growing confluence of interest in the subject matter addressed by all of the agencies. Second, the scope of coverage of BLS and Census make the agencies' resources—their comprehensive sampling frames, for example—of particular use to us at NCHS and other smaller agencies. Third, a limitation would simply not support collaboration between the smaller agencies such as the child health education example I described.

Before closing, I want to comment briefly on another aspect of confidentiality, the privacy of medical records. The lack of uniform privacy protections in a new era of electronic medical records poses major potential risks to individuals.

As mandated by the Health Insurance Portability and Accountability Act of 1996, HHS is nearing the end of a review of privacy protection. The Secretary will make recommendations for privacy legislation at the end of August. The implications of legislation in this area are important, both in providing for the protection of individuals and in providing for important statistical research and public health uses of medical information. Indeed, advances in biomedical research, the detection and control of disease, and in our health care system often derive from the aggregation of individual medical records.

In closing, I want to reemphasize the importance of achieving dual objectives, assuring privacy protection, and assuring we maintain our ability to provide answers to important health questions through carefully controlled access to medical records.

I am looking forward to working with the subcommittee as it considers the Secretary's recommendations; and, again, I thank you for the opportunity to discuss all of these issues; and I would be pleased to answer any questions. Thank you.

Mr. HORN. We are most grateful for your testimony.

There has been a bill that the subcommittee has worked on in both Democratic and Republican Congresses on the confidentiality of records. I would like to have the staff make sure that you and your staff have looked at it. Some in HHS have been advising us. I don't know if it is your direct staff. I would like to have your input.

[The prepared statement of Dr. Sondik follows:]

Mr. Chairman and members of the Subcommittee, I am Dr. Edward Sondik, Director of the National Center for Health Statistics (NCHS), of the Centers for Disease Control and Prevention (CDC). I also serve as the Senior Advisor to the Secretary on Health Statistics, and in that capacity I provide technical and policy advice on statistical and health information issues that affect the Department of Health and Human Services (HHS).

I am pleased to be with you today, and am particularly pleased that the Subcommittee has chosen to address two important issues within the Federal Statistical System - confidentiality and coordination among statistical agencies.

Confidentiality and Use of Health Statistics

It is impossible to overstate the importance of confidentiality in the Federal statistical community. Protecting the confidentiality of information from our respondents is a fundamental value at NCHS and in all statistical agencies. Not only do we have an ethical responsibility to our respondents, but we recognize that our ability to obtain voluntary cooperation - and valid data - is directly related to our ability to protect confidentiality. We must be able to assure respondents that we can -- and will -- fully protect the confidentiality of the information they provide.

The NCHS confidentiality protection, like that of other Federal statistics agencies, has evolved over several decades. NCHS' authorizing legislation includes carefully crafted legislative prohibitions against use for non-statistical purposes, and requires us to obtain informed consent for the uses we do make of data. NCHS has developed rigorous confidentiality practices and safeguards to assure that our promises to respondents are kept. We are proud of our strong

record in maintaining confidentiality, as are our partners in other statistical agencies, in public health, and in health research. We are also gratified that these principles have been reinforced by the Federal Statistical Confidentiality Order recently issued by the Office of Management and Budget (OMB).

We also recognize that we have a responsibility to taxpayers to make maximum use of limited funds, and a responsibility to our respondents to make sure that their time and attention is used to full advantage. For this reason, we seek to maximize the use of data that we do collect. We continue to develop new approaches to making data available in the detail needed by researchers and analysts, without compromising our responsibility to avoid disclosure of information about individuals. Meeting ever greater data needs - for example, at smaller geographic levels, and for more detailed subgroups of the population - is a continuing challenge. In a moment, I will comment on the concept of sharing information between protected statistical data centers as one solution.

Coordination of Statistical Programs

First, I want to briefly address two important and related topics - coordination of efforts within our respective Departments and subject matter areas - health, in the case of NCHS - and coordination across elements of the Federal Statistical system. Each is important to an efficient statistical system that produces analytically useful products.

Federal statistics serve multiple purposes. At the "macro" level, they are important components

of national economic analysis, providing information for business and economic forecasting, and profiling the population and social trends. They are also critical at the "micro" or program level, where they are integral to the operation, evaluation, management, and accountability of innumerable Federal programs. Within HHS, for example, statistics are used for guiding medical research, tracking public health objectives, measuring progress under civil rights laws, allocating grant funds, and safeguarding the Medicare trust fund.

It is a particular responsibility of Federal statistical agencies (such as NCHS, the Federal government's principal health statistics organization) to work closely with programs, subject-matter specialists, and policy-related offices from within their respective Departments to assure that data needs are met. As Director of NCHS and as Senior Advisor to the Secretary, I work closely with the HHS Data Council in an ongoing effort to integrate statistical efforts within HHS, and to bring a more strategic focus to meeting the information needs of our programs and initiatives.

Each of the statistical agencies also has a distinct role in coordinating statistical efforts across Departments as well, and I have been impressed as a relative newcomer by the enthusiasm of my statistical agency counterparts for strengthening ties among our agencies. Despite the different subject matter addressed by these agencies, the "culture" and interests of our parent Departments, and different authorizing statutes that have made each of the Statistical agencies somewhat unique, we are anxious to coordinate efforts across Departments, promote system-wide efficiency, and minimize duplication of effort. I feel that the strength of a decentralized system in which data

is collected close to its use, assuring relevance, is a solid foundation to build on in tapping into each other's unique expertise, resources, and technologies.

Data Sharing Among Statistical Agencies

Many of the most important interagency initiatives can only be accomplished with legislative changes proposed by the Administration (the "Statistical Confidentiality Act"), and introduced by Chairman Horn and cosponsored by Rep. Maloney in the 104th Congress (H.R. 3924).

Many of the confidentiality statutes currently in place were written narrowly to address statistical agencies one by one, rather than to apply to the system as a whole. As the Federal statistical system has evolved, the increasing complexity of our efforts has made it clear that there are efficiencies and analytic benefits that could result from greater flexibility.

As an example, NCHS' legislative mandate was drafted several decades ago to cover virtually all of the important issues in health. This legislation was accompanied by strong confidentiality protections. While both the broad mandate for NCHS and those protections remain valid today, the analytic focus has changed considerably. Thirty years ago, health statistics focused primarily on vital statistics, health status, and medical treatment. Today, with health constituting 13.6 percent of Gross Domestic Product, issues of health care financing and economics, the health care delivery system, productivity and performance have become relatively more important. While the preponderance of our statistical efforts are still unique to the health field, the confluence of interest between NCHS and its counterparts in economic statistics has grown considerably. The

Bureau of the Census (Census) and the Bureau of Labor Statistics (BLS) conduct surveys of employers and businesses, and from the health perspective we have a need to look at employer-provided health insurance. We need new authorities to allow us to work together effectively, and the Statistical Confidentiality Act would provide us with such tools.

Examples of how we could effectively use this new authority include:

1) Improving the design and sampling of our surveys of populations - and, in particular, hard to locate subpopulations, such as race/ethnic groups, using more detailed information and samples from the Bureau of the Census.

2) Improving our health-related data on businesses, starting with the types of health insurance benefits provided by employers. We are beginning to work with BLS, Census, and other agencies on an overall review of data needs and survey mechanisms in this area, and the ability to share sampling frames and other resources will provide new opportunities for interagency collaboration.

3) Improving our ability to assess the supply-side of the health care system, including the types and distribution of health care providers and their capacity. Since these providers are also businesses, legislation providing for sharing among data centers would allow us to better use information already collected by BLS and Census.

4) Developing new longitudinal studies of children, beginning at birth, that can address the interaction of issues such as child health, development, and education. With legislation permitting data sharing, NCHS and the National Center for Education Statistics (NCES) can more readily collaborate on efficient, multipurpose studies of this nature.

5) Providing better service to the scientific community by establishing joint research data centers where analyses of NCHS data and data from other agencies can be conducted in a controlled, protected environment.

While discussion of data sharing usually focuses on the statistical agencies with the largest involvement in economic statistics (Census, BLS, and the Bureau of Economic Analysis), it is important that new legislation not be limited to these three. First, as noted above, there is a growing confluence of interest in the subject matters addressed by all of the statistical agencies. Second, the scope of coverage of BLS and Census, in particular, makes the resources of these agencies (in particular, comprehensive sampling frames) of particular use to NCHS and other smaller agencies. With our relatively smaller resources, it is an even greater burden for us to have to recreate these same tools. Third, the authority would allow important collaboration between the smaller agencies, such as the NCHS/NCES example described previously.

I also want to emphasize the importance of enacting not only broad data sharing principles, but also specific conforming amendments included in the Administration's proposed Statistical

Confidentiality Act. Without these detailed changes in existing law, the promise of data sharing will not be realized in practice.

Finally, it is important to note that the proposed Statistical Confidentiality Act and the recently issued Federal Statistical Confidentiality Order establish uniform standards for maintaining the confidentiality of statistical information. We are confident that data could be shared, under these provisions, in controlled, limited ways that will provide the fullest protections to our respondents. We will carefully assess the reasons for, and risks from, sharing information with other statistical agencies, and proceed only with those that we would be comfortable explaining in full to our respondents.

Related Confidentiality Issues

Before closing, I want to comment briefly on an aspect of confidentiality that is of great importance to those of us in the health statistics, public health, and research communities. From its longstanding work in this area, the Subcommittee is well aware of the need to address fundamental issues in protecting the privacy of medical records, and I expect that this issue will be before the Subcommittee again in the near future.

There is a growing consensus that the lack of any uniform nationwide privacy protections for records in the health care system is increasingly problematic, and that a new era of electronic medical records systems poses potential risks to individuals. New impetus for addressing this issue has been provided from enactment of the Health Insurance Portability and Accountability

Act of 1996 (P.L. 104-191), which mandated the development of new Federal privacy protections in this area.

As mandated by P.L. 104-191, HHS is nearing the end of a careful review of this issue, based in part on input from public hearings held by the National Committee on Vital and Health Statistics. Recommendations for privacy legislation will be made by the Secretary at the end of August.

The implications of legislation in this area are immense, both in providing for the protection of individuals and in providing for important and appropriate statistical, research, and public health uses of medical information. As you are aware, many of the advances in the science of biomedical research, the detection and control of diseases, and advances in our health care system have come from the aggregation of individual medical records. I want to emphasize the importance of achieving dual objectives with this legislation: assuring that privacy is protected, and assuring that we maintain our ability to provide answers to important health questions through carefully controlled access to records. I am looking forward to working with the Subcommittee as it considers the Secretary's recommendations.

Again, I thank the Subcommittee for the opportunity to discuss these issues.

Mr. HORN. Our next witness is Jay Hakes—am I pronouncing it right—Administrator, Energy Information Administration, Department of Energy. Welcome.

Mr. HAKES. Thank you, Mr. Chairman.

In addition to serving in the Administrator's position at the Energy Information Administration, I also serve on the Interagency Council on Statistical Policy; and I think during the relatively short period it has been a statutorily authorized body, it has accomplished quite a bit.

The website that was mentioned in earlier testimony is a very substantial contribution to improving access to information. I would say a high school student in California today probably has better access to Federal statistics than many top analysts here in Washington had 2 or 3 years ago. I think that is a substantial achievement.

Today we are looking at opportunities for data sharing which do have potential to reduce costs, improve quality, and reduce respondent burden. We feel that part of this is a management challenge. All of us have to sort of work on this and make it happen. But we feel that it will require removing the barrier of different standards of confidentiality.

Different agencies are authorized to protect data under different statutes. The Energy Information Administration is, in some ways, kind of the poster child for confidentiality problems, because we have very weak statutes governing confidentiality; and, therefore, we have even more problems than other statistical agencies in getting access to information that we need.

We view this bill's provisions on confidentiality very helpful, and we feel that there will be real benefits. In my written testimony I just referred to three types of benefits. One is, if we can share the frames from which samples are drawn, there is a lot of efficiencies to be gained from that. Second, when there are discrepancies in data, we can get into the individual respondent level and identify the causes of those discrepancies. I think that is very important. Third, when a new question comes along, we don't have to develop a new set of data. We can often use the data we already have.

I think the Bureau of Economic Analysis makes a number of good points about how it can use existing data. We have one example at the Energy Information Administration. We actually have many, but I know there is an interest in seeing how this works in the concrete world. We go out every 4 years and survey residential energy customers. We are interested in things like: are they using double or triple pane windows, what percentage of the square footage is heated, how many showers do they have installed. We have a sample of about 6,000 people, which doesn't give us State-level data, but gives us regional data at a national level.

It would make a lot of sense for us to use the census information as the frame for that study, but we cannot do so under the current situation. It forces us to make a lot of compromises. It costs us more money, it has an adverse effect on quality, and, in this case, there is a little bit more respondent burden, although I think in this case that is not as big of an issue. There is some real, practical, quality enhancements that would come if we could share data with census.

Then just one other example occurs that may stimulate your interest. When I was talking with Steve Landefeld last week, the Director of the Bureau of Economic Analysis, he mentioned that in the 1980's there was a lot of interest in the Congress in foreign direct investment, and the Congress couldn't get the type of statistics that it wanted. There was one proposal that BEA or somebody go out and collect a whole new data series. What the Congress did at that time was, in the Foreign Direct Investment Act, took care of the confidentiality problem, so new data series were created without having to collect new data.

Although that effort has lapsed a little bit in recent years as interest in that area has dropped, I think it shows that legislation in this area can make a difference. There are real savings that can be realized, and we look forward to working with you to expand these opportunities.

Mr. HORN. That is very helpful comment. That might be an interesting model to see what really happened there.

[The prepared statement of Mr. Hakes follows:]

Thank you for your invitation to discuss the benefits of cooperation among the statistical agencies, particularly with regard to data sharing.

As a member of the Interagency Council on Statistical Policy, I have participated in recent efforts by that group to coordinate more effectively the activities of the statistical agencies. We have had some successes. One of the most recent is creation of a federal statistical web site--called FedStats. This effort provides value to current and potential users of federal statistics by creating a common point of access to the federal statistical system. You shouldn't need to know which agency produces a statistic to gain easy access. Now you don't. Although much remains to be done to further integrate the web site and other mutual activities of the Council, it has produced a number of good results in its relatively short life span.

Coordination among the statistical agencies can provide better service to policymakers and the public. Such efforts can contribute to reducing respondent burden, achieving new efficiencies, and providing high quality products and services that are useful to data users.

Achieving these goals is a substantial management challenge. In addition to the management challenge, however, there are systemic barriers that must be overcome. In particular, cooperation among the statistical agencies is made more difficult by the various statutes affecting confidentiality. Because different agencies have different standards for confidentiality, their data at the respondent level cannot in many cases be exchanged. My agency--Energy Information Administration--is particularly hampered by the sense of weak protections of confidentiality that limit our ability to obtain data on a confidential basis. This problem can lead to duplication of effort which can unduly increase respondent burden, add unnecessary costs, hurt quality, and limit ease of user access.

One of the best ways of realizing these benefits is data sharing among the statistical agencies. There are at least three specific ways such sharing could work.

- Sharing of frames from which samples are drawn.

The Energy Information Administration, for example, creates frames from which samples are drawn for its residential energy consumption surveys. Samples are selected and surveys are conducted on 4-year cycles. Sampling frames are also created for EIA's weekly and monthly petroleum price and supply surveys. New frames do not need to be constructed every time a sample is surveyed. When a frame is updated, however, the project is resource-intensive. It would make more sense to get these frames from the Census or the Bureau of Labor Statistics. However, with the differing rules on confidentiality that govern the statistical agencies today, this is not possible. On the other hand, EIA has a frame for commercial buildings that is unique and would be useful to other statistical agencies. If this frame were used for multiple studies, instead of just one, it would be more cost effective to improve the quality of the frame.

- Reconciling differences in data series.

Current laws on confidentiality make it difficult to resolve apparent discrepancies in different

data series. For instance, the Department of Transportation (DOT)vehicle miles traveled data frequently cannot be reconciled with the Energy Information Administration's figures on gasoline consumption. Throughout 1996, DOT data suggested much stronger economic activity generated gasoline demand growth than that confirmed by EIA figures, confounding forecasters and oil policymakers. Elsewhere, the Bureau of Economic Analysis would like to resolve some of the differences in data reports on unemployment and manufacturing shipments, for example. Fixing these problems requires that statistical agencies be able to see each others's confidential data. There will be concrete gains in consistency and quality when this can be done.

- Recasting existing data to answer new questions.

The Bureau of Economic Analysis would like to use existing data at the Bureau of Labor Statistics, the Bureau of the Census, and U. S. Department of Agriculture to produce statistics that conform more closely to national and regional economic accounting principles. By obtaining limited information on individual respondents to various surveys, BEA could ensure reporting is consistent with the national economic accounts, explain changes in Gross Domestic Product components, and prepare special tabulations and studies. We should not be launching new surveys, when we can reconfigure data already collected if data sharing can occur.

All of the statistical agencies have identified opportunities for data sharing that would reduce duplication and improve quality. We also have some limited experience with what can happen when confidentiality barriers are removed.

The growth in foreign direct investment in the United States in the 1980's led to requests for more detailed data for foreign companies. In response the these concerns, the Congress in 1990 passed the Foreign Direct Investment and International Financial Data Improvement Act. The Act allowed BEA's enterprise data for foreign-owned U.S. companies to be linked to the Census Bureau's and BLS's establishment or plant level data for all U.S. companies to obtain those agencies' more detailed data for the foreign-owned companies that report to BEA.

The link projects significantly improved the accuracy, relevance, and comparability of U.S. data on direct investment. They did so without adding to respondent burden and with considerably less cost than would have been necessary with a new survey. All these projects have been recently reduced in scope because of resource constraints, but they still provide a clear case of the benefits of data sharing.

The Energy Information Administration is eager to see adjustments to the confidentiality laws so we can more aggressively seek opportunities for data sharing. I do not want to leave the impression that all data sharing projects are easy to implement. Such integration often involves substantial challenges. The benefits are also substantial. It is very helpful to have the strong encouragement of the Office of Management and Budget and of this Subcommittee for accelerating these efforts.

Mr. HORN. Mr. Ehrlich, we are glad to see you again. You testified last year when you were still at the Commerce Department. It is nice to have you back.

So, Mr. Ehrlich is former Under Secretary for Economic Affairs, and I take it you are now with the ESC Corp.

Mr. EHRLICH. That is right.

Mr. HORN. Based in Washington?

Mr. EHRLICH. Here in Washington.

Mr. HORN. We are glad to have your views.

Mr. EHRLICH. I appreciate that, Mr. Chairman. I appreciate the opportunity to be here, and it gives me an opportunity to thank you for your role and your constructive assistance during my tenure in the previous 4 years, which were very much appreciated. I learned as Under Secretary to treasure the friends you had, and I did.

Let me respond to, or amplify on one or two other points that had been made, particularly those you asked of the previous panel.

In 1993, when I first arrived at Commerce, I asked the leading economic survey managers at Census, BEA, and BLS, which was then under the direction of Acting Director Bill Barron, to put together a list of efforts that they could pursue if they weren't obstructed by the obstacles that this bill would remove.

That group was called the Mesenbourg Commission after Tom Mesenbourg, who was the Associate Director at Census for Economic Programs. It gave estimates in their report. They listed 40 initiatives with the burden hours that would be saved if those were to be implemented.

I don't have a copy of it with me today, but it is an official Census document, and it would be available to your staff. Particularly in the area of the business register, which is the largest area of duplication between Census and BLS, the savings could be in the tens of millions of dollars in private sector burden reduction.

My colleague, Mr. Hakes, also made the point about BEA and BLS sharing data in the link project, which allowed us to look at the characteristics of plants that were owned by foreign affiliated capital. That was extraordinarily productive and another good example of what might be done.

Data sharing legislation is good and long overdue, and the movement to a virtual agency is also long overdue. But, as I am fond of saying, virtual is nineties speak for "not."

There are still remaining opportunities to pursue aggressive coordination, and I think for that reason the Congress should still consider the various dimensions of the consolidation issue as it works through this legislative vehicle.

I think it is important to keep in mind as we pursue these coordination efforts, including consolidation, that the goal has to be a better statistical product. I think you will find that the cash savings are extraordinarily low, that the level of purely duplicative work is very low, but we do have the opportunity through greater coordination—if not outright consolidation—to pursue a variety of goals. We have the ability to set national statistical priorities.

Ms. Katzen, in the earlier panel, talked about the problem of agencies wanting to have model or sectoral data to answer their own policy problems. Well, a consolidated or much more highly coordinated system would give us the opportunity to talk about

whether that data was really a national statistical priority or if it should be funded by the agency out of its own resources. Consolidation would also allow far greater competition among the different modal types of statistical gathering because congressional patrons and departmental champions and constituents wouldn't be able to segment the system in its appropriation. The consolidated agency would also allow us to realize new opportunities. Mr. Hakes talked about some of those.

One that we were trying to pursue when I left Commerce was getting Census and BLS to get the same data set for retail sales and for consumer price information using bar codes. That had a variety of difficulties, some of which would be solved by statistical data sharing legislation, but some require simply a far higher level of management attention that is unclear to me that the current system can provide.

I am concerned that we are moving toward a consolidated agency that would be independent in the administrative sense of the word. That is, we put economists together and send them out to Rockville, Springfield, Morgantown, Suitland, or wherever and tell them to come back when they have the problem solved. That is not what happens in Canada, although there is confusion about that point.

I am worried that an independent agency in the classic sense would be a political orphan when it came time to fight for budgetary resources or to keep agencies accountable. Accountability is very important in our agencies. It is what stops, for example, the career professionals at the Census Bureau from writing articles or producing product about why there is poverty in the United States as opposed to measuring it, or preventing the professionals at BLA from talking about what ought to be done in the business cycle at a certain stage as opposed to measuring the business cycle.

For those reasons, I think we need to always think about a Cabinet-level steward for any consolidated statistical agency.

The problem, Mr. Chairman, is that the obvious and ideal choice, to my thinking, is the Commerce Department, much as the central statistical entity in Canada reports to Industry Canada. I think we are engaged still in the remnants of a snipe hunt about the Commerce Department here in the Congress, and we need to get over that so that we can start to make decisions about the statistical system that are governed not by the desire to dismantle Commerce, or to adjust the CPI, or to perpetuate the undercount in the decennial census, but rather decisions that are made with the best interests of the statistical users and our Nation in mind.

I appreciate the opportunity to edit the submitted remarks I have given the committee. Now that I am on my own, my only opportunity to perfect the product has been reduced.

Mr. HORN. We thank you for that statement of clarity.

[The prepared statement of Mr. Ehrlich follows:]

Statement of
Dr. Everett M. Ehrlich
President, ESC Company

Before the
Subcommittee on Government Management, Information, and Technology
U.S. House of Representatives

July 29, 1997

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to testify before you on the matter of consolidating the statistical agencies. Let me summarize briefly my views and then turn to your questions.

The goal of any consolidation must be to improve the quality of our nation's data. If your goal is to save money, you will be disappointed. There is still a little duplication within the system -- BLS and Census should coordinate better their business registers, rather than each pursuing its own -- but not much. Moreover, any savings should be channeled into better economic measures, which are massively underfunded.

But consolidation could improve our system. First, it would allow us to set national statistical priorities. Today, energy and agriculture are over-funded while economic data suffers. Their Congressional patrons, Departmental champions, and constituents will preserve that under-funding unless the agencies are all forced to compete in the same account. This is why any consolidated agency must subsume not only Census, BEA, and BLS, but EIA, the agriculture system, and other agencies.

A single agency would also lead to greater methodological consistency -- the issue of price measurement comes to mind. It would also allow us to realize new opportunities, such as merging retail sales and consumer price data collection using bar codes. And it would raise the status of statistical work among young economists, demographers, and statisticians.

But making such a consolidated agency "independent" is a bad idea. An "independent" agency would be a political orphan when it came time to fight for budget resources. It would be unrepresented at the Cabinet level, and absent Secretary-level accountability. It could be a management failure, straying from its mission to conduct academic research, perform policy analyses, or other extraneous efforts. Mr. Chairman, do we really want to turn the economists loose to run something very, very large?

In Canada, the consolidated statistical agency reports to Industry Canada, the Canadian Commerce Department, for precisely those reasons. The right thing to do is to create a national statistical agency that resides within the Commerce Department, just as the Pension Benefit Guarantee Corporation resides within the Department of Labor -- as an independent entity with a

Cabinet-level Board of Directors. The alternative is to place the agency next to the IRS, OSHA, or other places where it does not belong.

The problem with this proposal is that some members of the Congress are still involved in an intellectual snipe hunt to get rid of the Commerce Department. Once we get past this counterproductive exercise, the natural fit between Commerce and the statistical agencies can emerge.

A final point concerns the decennial census. Some consolidation proposals take the census out of the consolidated agency. That's a bad idea. The decennial rests on the abilities of its agency -- field organization, technology, statistical analysis, instrument design, and so forth. The more removed it becomes, the costlier and less effective it will be. Moreover, an isolated decennial Census would be more vulnerable to the kind of partisan and parochial political attacks that it is now experiencing over the widely-acknowledged need to use sampling to account for missing people. This is another example of why our statistical agencies need Cabinet-level stewardship.

Mr. Chairman, the issue of consolidation has been intertwined with a host of political agenda points -- to wipe out the Commerce Department, to adjust the CPI, to preserve the undercount in the 2000 Census. We need to put these agendas aside and construct a plan that has the goal of better economical and social data for our nation.

Thank you for your attention.

Mr. HORN. Mark Wilson, Rebecca Lukens fellow in labor policy, Heritage Foundation. Welcome.

Mr. WILSON. Mr. Chairman, thank you for inviting me to testify.

My name is Mark Wilson. I am the Rebecca Lukens fellow in labor policy at the Heritage Foundation. I would like to lend my voice to the discussion today on how consolidating Federal statistical agencies would free up additional resources and enhance the production of individual privacy and improve data quality. Please accept my written testimony and enter it in the record.

I must also emphasize my remarks are my own opinions and should not be construed as representing any official position of the Heritage Foundation.

The American statistical system, as everyone realizes, is one of the most decentralized data producing systems in the world. Although other countries have moved toward centralizing their statistical work within a single agency, the United States has moved in the opposite direction, creating more and more separate statistical agencies throughout government, more often than not with separate confidentiality provisions and requirements and mandates on each one. The result has been a patchwork of statistical agencies and confidentiality provisions with little or no data sharing requirements or mandates or provisions amongst or between them.

Despite spending almost $2.7 billion per year, the Federal statistical system is in somewhat of a crisis these days. The country's decentralized system hinders improvements and squanders resources on, at times, duplicitous bureaucratic overhead. As a result, the quality of the Nation's economic and social statistics has deteriorated over time. Poor data, in turn, has a damaging effect on the Federal budget, a detrimental effect on the public policy debate, and disastrous implications for business decisions, points that the General Accounting Office acknowledged in a July 1995 report.

Over the years, numerous improvements that have been cited by the experts as necessary for ensuring the quality of U.S. statistics have not been implemented. The decentralized fragmented Federal statistical system means no single agency or official is really answerable for the modernization and improvement projects that cut and sweep across agencies, such as improving measures of the service sector of our economy. I am not sure whether a virtual agency would have a clearly defined, singularly answerable, and identifiable person in this fashion that could do this.

The chief statistician can assert leadership and attempt to encourage such action but currently is very limited in terms of what ability they have to ensure the accountability that the agencies that currently conduct updates to our statistical system carry out those improvements.

The fragmentation and confusion of the current system has left many key areas of our society unmeasured, while resources are expended on collecting data of what I feel are limited public policy interest. For example, we have quarterly data on the number of goats that are lost to predators going back a number of years, but we have precious little data on the role of religion in creating stable and well-adjusted families.

The topic that has been discussed here at great length has been tangentially the decline in the public trust of Federal surveys and

the Federal statistical system as a whole. Protection of the confidentiality of data collected for statistical purposes is basic to the development of high-quality data in any statistical system. Unless respondents can be assured that the data that they provide to the government for statistical purposes will not be used for regulation or enforcement, they will either not respond or report inaccurate information.

The protection of confidentiality, again, as these gentleman have pointed out in previous testimony, is not uniform in the current Federal statistical system because the individual agencies have been created at different times for different legislative reasons. As a result, the system operates currently under a complex set of regulations, Executive orders, and laws that differ in application among the statistical agencies.

Although OMB's new confidentiality order is a step in the right direction, I believe that legislation is necessary to correct this patchwork of confidentiality requirements that we have. Currently, the U.S. system has neither the advantages that come from centralization nor the efficiency that comes from strong coordination. While centralization alone is not a sufficient measure to solve all the problems facing the system, significant improvement, I believe, cannot occur without it.

According to former Commissioner of the Bureau of Labor Statistics, Janet Norwood, consolidating the fragmented and decentralized Federal statistical system is one of the most effective solutions to the problems it is currently under. It would provide better data at a lower cost. It would create a single statistical agency that would facilitate the creation of a coherent national research strategy and development of better statistics. It would also have greater independence and improve the confidentiality and public trust in our statistics.

As the 105th Congress begins its debate over the Federal statistical system, it should bear in mind four important principles to ensure the taxpayers and data users receive the greatest benefit from any reform.

Combine as many agencies as possible. Although consolidating the four largest statistical agencies would eliminate some duplication, the largest budget savings and benefits from economies of scale will occur and come from integrating as many of the smaller agencies as possible.

Improve privacy and confidentiality. The confidentiality protection laws established piecemeal among the different statistical agencies should be replaced with uniform privacy provisions that would permit the exchange of confidential information for statistical purposes only and ensure the independence and objectivity. Two of the most important attributes of an objective statistical agency are the longevity of leadership and the independence from political pressure.

You should also strengthen coordination by giving a consolidated agency the authority and the management structure to enable it to develop an overall statistical research and development agenda and to implement modernization and improvement projects across agencies.

Thank you for your time. I would be happy to answer any questions you might have.

Mr. HORN. We thank you for your time.

[The prepared statement of Mr. Wilson follows:]

Mr. Chairman, Members of the Committee, thank you for inviting me to testify on the oversight of statistical agencies. My name is Mark Wilson. I am the Rebecca Lukens Fellow in Labor Policy at The Heritage Foundation. Today, I would like to discuss how consolidating federal statistical agencies would free up additional resources, improve the ability to develop a coherent national strategy on statistics, enhance the protection of individual privacy, and improve data quality. Please accept this written testimony and enter it into the record. I must emphasize that my remarks are my own opinions, and should not be construed as representing any official position of The Heritage Foundation.

A Brief Overview of the Federal Statistical System

The framers of the U.S. Constitution created the requirement for using statistical information in the operation of government by providing that a population census be conducted every decade to serve as the basis for reapportionment of the House of Representatives. Over time, as new pressures to produce information for public policy arose, Congress has created a variety of statistical agencies.[1] And although other countries have moved toward centralization of statistical work with in a single agency, the United States has moved in the opposite direction. – creating more and more separate statistical agencies throughout government.

The American statistical system is one of the most decentralized data-producing systems in the world. Besides the hundreds of private, state and local producers of statistics, such as Dun and Bradstreet and F.W. Dodge Inc, there are 11 separate federal agencies in nine of the government's departments whose sole purpose is to create economic and social data. In 1994, these 11 agencies, which form the core of the government's statistical system, spent more than $1 billion to produce and publish the nation's primary data. Furthermore, the Office of Management and Budget (OMB) found that over 70 agencies spent more than $500,000 each for statistical activities in FY 1994, and that the entire federal government spends almost $2.7 billion per year on statistical operations.[2]

All of this work is loosely coordinated by a small group of people in the Office of Management and Budget. The Statistical Policy Branch (SPB) has policy oversight and coordinating responsibility for all of the government's statistical activities.[3] The SPB sets classification and quality standards, oversees the protection of objectivity and privacy rights, reviews collection of information requests for duplication, and represents the United States at the United Nations Statistical Commission. The SPB operates as best it can within a decentralized system to improve federally produced statistics by asserting leadership and attempting to encourage action by individual agencies.

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[1] For example, in 1862, Congress created the National Agricultural Statistical Service. In 1884, the Bureau of Labor (now the Bureau of Labor Statistics) was created. The Energy Information Administration was established in 1977.
[2] Statistical Programs of the United States, Executive Office of the President, Office of Management and Budget, Issues for Fiscal Years 1980-94.
[3] In 1995, the Statistical Policy Branch had a Chief Statistician heading the office and a staff of four professionals.

Despite this oversight and almost $2.7 billion dollars per year in funding, the federal statistical system is in crisis. The country's decentralized system hinders improvements and squanders resources on duplicative bureaucratic overhead. As a result, the quality of the nation's economic and social statistics has deteriorated. Poor data, in turn, has a damaging effect on the federal budget, a detrimental effect on the public policy debate, and disastrous implications for business decisions.

The Serious Consequences of a Statistical System in Shambles

Problems with America's economic statistics can have a profound effect on the federal budget and public policy debate – a point the General Accounting Office acknowledged in a July 1995 report entitled "Economic Statistics: Measurement Problems Can Affect the Budget and Economic Policymaking." For example, just one source of upward bias in the Consumer Price Index (CPI) is estimated to have added over $271 billion to the national debt from 1975 to 1996.[4] A faulty CPI also affects the accuracy of national statistics on real economic growth, productivity, poverty rates, and real wages. This in turn affects the public policy debate by misleading Members of Congress and President Clinton into thinking that the real growth in these statistics is slower than it really is. Moreover, distortions in the measure of the number of families in poverty can, and does, affect both specific program budgets and public policy in general.

One of the most disturbing problems has been the decline in the quality of the decennial census. Despite its vital constitutional role and its use in allocating federal funds for education, welfare, and transportation, the 1990 census marked the first time since its inception that the quality of the data produced deteriorated relative to a previous census.[5] This occurred despite the fact that the 1990 census was the most expensive in history. Moreover, the future outlook is bleak; a recent General Account Office study recently concluded that the 2000 decennial census is a high-risk project that is likely to produce unsatisfactory data.[6]

The concept of the new information age suggests that the role of data in the economy will be more important than ever before. The failure to implement necessary improvements to the federal statistical system will over time lead to distortions in the data and affect the ability of industry to make accurate business decisions. Good statistics are critical for correctly determining the most efficient location of a new road, airport, or manufacturing plant and when to build them. Bad information, on the other hand, can cost businesses billions of dollars a year and communities thousands of lost job opportunities.

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[4] Toward a More Accurate Measure of the Cost of Living, Final Report to the Senate Finance Committee from the Advisory Commission To Study The Consumer Price Index, December 4, 1996, p. 7.

[5] U.S. General Accounting Office, "Decennial Census: 1990 Results Show Need for Fundamental Reform," GAO/GGD-92-94, June 9, 1992.

[6] U.S. General Accounting Office, "High-Risk Series: Quick Reference Guide," GAO/HR-97-2, February 1, 1997.

The Deterioration of Economic and Social Statistics

Over the years, numerous improvements cited by experts as necessary for ensuring the quality of U.S. statistics have not being implemented.[7] Responsibility and accountability for improvements are scattered across at least 70 agencies. The decentralized and fragmented federal statistical system means that no single official or agency is answerable for the modernization and improvement projects that cut across agencies, such as improving measures of the service sector. Moreover, most statistical agencies are regarded as minor appendages within various cabinet-level departments, and the promotion of important statistical issues is given low priority relative to other, high profile departmental goals and objectives. The provision of statistics suffers from the lack of an individual (or agency) who is fully answerable for the quality of the statistics, is charged with developing an overall statistical research and development agenda, and can serve as a strong advocate on behalf of federal statistics.

The fragmentation and confusion of the current system has left many key areas of society unmeasured while resources are expended on collecting data of limited public policy interest. For example, a user relying on federal statistics can find quarterly data produced by the Department of Agriculture on the number of goats lost to predators but cannot find statistics on the life expectancy of farmers relative to other occupational groups. Moreover, while the Environmental Protection Agency has resisted producing comprehensive estimates on the cost of its regulations, it currently collects as many as three overlapping and inefficient sets of data (using different reporting formats) on hazardous wastes and their management. Likewise, federal statistics on vehicle ownership and household plumbing are available by racial origin for every ZIP code in the nation. However, no federal statistics are available, even at the national level, on the relative impact of federal taxation on the income of different racial and ethnic groups.

The deterioration in the quality of the census has been accompanied by the increased politicization of the Census Bureau's decisionmaking process. Controversy surrounds the issue of using statistical sampling in the next census in order to correct the traditional head-count method to compile census statistics (which critics claim under-counts low-income and minority populations). Described by one commentator as "an explosive political event," this controversy involves lawmakers, ethnic and political organizations, and regional groups.[8] The intensive lobbying and legislative effort to influence the methodology used by the Census Bureau have politicized the statistical process and threatens the integrity of the statistical requirement in the U.S. Constitution.

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[7] See Joseph W. Duncan and Andrew C. Gross, Statistics for the 21st Century (Chicago, Il: Irwin Professional Publishing, 1995); and U.S. General Accounting Office, Statistical Agencies: Consolidation and Quality Issues, GAO/T-GGD-97-78, April 9, 1997.

[8] James Glassman, "A Virtual America?" The Washington Post, May 13 1997, p A-17.

Declining Public Trust in Federal Surveys

The federal statistical system also faces the serious problem of declining public trust in government, specifically trust that the information provided to the government will be held in the strictest confidence and not be used against them. Protection of the confidentiality of data collected for statistical purposes is basic to development of high-quality data in any statistical system. Unless respondents can be assured that the data they provide to the government for statistical purposes will not be used for regulation or enforcement, they will either not respond to the survey or report inaccurate information. Either way, the statistical series produced will be biased and inaccurate.

Such protection of confidentiality is not uniform in the current federal statistical system because individual agencies in the decentralized U.S. statistical system originated at different times for different legislative reasons. As a result, the system operates under a complex set of regulations, executive orders, and laws that differ in application among statistical agencies. At one extreme is the Census Bureau, where protection prohibits other federal agencies from accessing the microdata even if they have paid the Census Bureau to collect it. At the other extreme are many agencies, like the Energy Information Administration, where data that is collected is often used in enforcement proceedings against the respondents. At times, as in the case of the National Center for Educational Statistics, where the law spells out clear confidentiality protection, Congress itself stepped in to weaken protection retroactively.[9]

Just as important as the confidentiality issue itself, differences in confidentiality laws and policies among the statistical agencies hamper and, in some cases, prohibit the exchange of microdata between the agencies. As a result, agencies must either forgo the use of data already collected or recollect the data themselves. The burden on respondents is thereby increased, and many, believing the government statistical system to be inefficient and incompetent, choose not to respond at all to surveys unless required by law. Moreover, agencies cannot undertake comparative microdata research and universe list comparisons, or work to ensure the uniformity of classifications with data collected by two or more different statistical agencies.

The Benefits of Consolidating Statistical Agencies

According to former Bureau of Labor Statistics (BLS) Commissioner Janet Norwood, consolidating the fragmented and decentralized federal statistical system is "the most effective solution to the problems of the federal statistical system."[10] Currently the U.S. system has neither the advantages that come from centralization nor the efficiency that comes from strong coordination. While centralization alone is not a sufficient measure to solve all of the problems facing the system, significant improvement cannot occur without it.

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[9] Janet L. Norwood, Organizing to Count, (Washington, D.C.: The Urban Institute Press, 1995). Janet Norwood was Commissioner of the Bureau of Labor Statistics from 1979 to 1991.

[10] Janet L. Norwood, Organizing to Count, p 71

Among the advantages offered by consolidation are:

- **Better data at lower cost.** Consolidation would reduce bureaucratic overhead costs and the production of duplicative, contradictory, and inconsistent data. A consolidated statistical agency would be able to achieve greater economies of scale by reallocating resources more quickly to priority areas and encouraging greater mobility and cross-fertilization of knowledge across the statistical surveys. Existing surveys could be more effectively redesigned to improve cross-tabulation and the matching of data. Coordination of activities between agencies would be improved.

- **The creation of a single statistical agency would facilitate the creation of a coherent national research and development strategy on statistics.** One agency would be responsible and accountable for developing a strategy to adapt the federal statistics system to changes in society.

- **Improved confidentiality and public trust.** Consolidation would eliminate the piecemeal tangle of confidentiality protection laws currently in place through different statistical agencies. Respondents who supply data to the federal government would have the legislative assurance that the information they provide for statistical purposes could not be used against them in enforcement actions. Both survey response rates and data reliability would improve. Data sharing between the consolidated agencies would also improve, thereby reducing public reporting burdens. Moreover, the consolidated agencies could begin comparative microdata research and universe list comparisons; they could ensure the uniformity of classifications with in the data collected by the different statistical agencies. Strict firewall protections with enforcement agencies and penalties for disclosing or viewing information would ensure that the creation of a centralized statistical agency is not a threat to American's privacy and civil liberties.

- **Greater independence.** Currently, all statistical agencies are located within larger departments or agencies. While intentional political bias is not discernible at the major agency level, much of the work of smaller agencies is intimately related to the policies and priorities set by political appointees. The creation of an independent federal statistical agency would improve the credibility and integrity of the nation's statistics and free them from the danger of politicization by either the Administration or Congress.

The Key Principles of Consolidation

As the 105th Congress begins its debate over the federal statistical system, it should bear in mind four important principles to ensure that taxpayers and data users receive the greatest benefit from any reform:

1. **Combine as may agencies as possible.** Although consolidating the four largest statistical agencies (Census, BLS, BEA, and National Center for Health Statistics) will eliminate some duplication, the largest budget savings and benefits from economies of scale will come from integrating as many of the smaller data agencies as possible. Another commission to study consolidating the four largest statistical agencies is not necessary. Two-thirds of the committees or commissions over the past 30 years have recommended some form of consolidation. Another commission would most likely reach the same conclusion.

2. **Improve privacy and confidentiality.** The confidentiality protection laws established piecemeal among the different statistical agencies should be replaced with uniform privacy provisions that would permit the exchange of confidential information for statistical purposes only. Information provided by the public for statistical purposes must never be used in enforcement actions against survey respondents and strict firewalls should be set up between statistical and enforcement agencies.

3. **Ensure independence and objectivity.** The two most important attributes of an objective statistical agency are longevity of leadership and independence from political pressure. Fixed terms in office longer than 4 years would provide the ability to resist demands for changing the way data are collected and interpreted. The length of time in office is critical to the future integrity of government data, and also has an important effect on the efficiency with which a statistical agency operates.[11]

4. **Strengthen coordination.** Oversight and coordination responsibility for the government's statistical activities should be clearly vested in one agency. This agency should be given the authority and management structure to enable it to develop an overall statistical research and development agenda and to implement modernization and improvement projects across agencies. This agency should also have authority over the federal statistical survey form clearance process.

These principles form the foundation of sensible statistical system reform that will improve data quality while reducing costs.

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[11] Janet L. Norwood, Organizing to Count, p 81.

How Congress Can Implement Reform

To implement these principles, Congress should:

- **Consolidate the four major statistical agencies – Bureau of Economic Analysis, Bureau of Labor Statistics, Bureau of the Census, and National Center for Health Statistics – into a new Bureau of National Statistics (BNS).** This new agency should be headed by an independent Chief Statistician of the United States and should have a board of directors whose members are appointed for seven-year terms by the President, subject to confirmation by the U.S. Senate. The board of directors would evaluate and recommend to the President and Congress budget priorities and survey improvements as well as oversee the maintenance of the quality and objectivity of the data currently produced.

- **Combine the remainder of the federal statistical system into the BNS over a period of seven to ten years.** A commission could be established to develop recommendations for this consolidation including a schedule for the unification and the ultimate organizational structure of the BNS.

- **The Bureau of National Statistics should consist of two major components: a Public Statistics Division and a Government Statistics Division.** The statistical system of a nation generally provides two forms of statistics: public statistics, which are of wide interest and used by the general public and business community, and administrative statistics, which are generally of narrow interest and are used within the government for policymaking and rulemaking purposes. The Public Statistics Division would be charged with producing statistics of general public interest and would initially consist of four bureaus -- Census and Demographic, Labor and Prices, National Income, and Health – that incorporate the functions currently carried out by the four major statistical agencies. Other bureaus could be added as other statistical agencies are combined within the BNS. The Government Statistics Division could operate in a manner similar to Britain's the highly regarded Government Statistics Service.[12] It would consist of a corps of statisticians who work within the various independent agencies and cabinet departments to service their individual administrative statistical needs. While these statisticians would be under the day-to-day control of managers within the individual agencies in which they worked, they would be employed and promoted by the BNS and would be mobile across the federal government.

- **Develop uniform privacy protection provisions under which the BNS would operate.** These protections would allow data sharing for purely statistical purposes within the BNS and prevent access by agencies or individuals outside of the BNS. Information provided to the BNS by the public could never be used in enforcement actions against the survey's respondents.

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[12] The UK's Government Statistical Service (GSS) was established in 1993 as one in a series of reforms. For a brief overview of the British system see the Internet site: http://www.statsbase.gov.uk/gtos2/dbguide.htm.

Conclusion

The U.S. statistical system is facing a severe crisis. The quality of the data being produced by the federal statistical system is in danger of being compromised by both increased politicization and by an inability to keep pace with a rapidly changing society and economy. In an economy increasingly driven by information, the costs of flawed data resulting in ill-informed business and personal decisions can be very large, and the impact on the federal budget can exceed the cost of all federal statistical agencies combined.

At the root of these problems lies an extremely fragmented organizational structure that is both inefficient and ineffective. Consolidation alone will not solve all of the problems plaguing the federal statistical system. But it will not be possible to address the system's fundamental problems with the current structure in place. Congress should address the serious problems inherent in the decentralized statistical system by consolidating the Bureau of Labor Statistics, the Bureau of Economic Analysis, the Bureau of the Census, and the National Center for Health Statistics into a new independent Bureau of National Statistics (BNS). The BNS can then become the structure into which the remainder of the current disjointed statistical system could be consolidated.

Consolidating statistical agencies offers many advantages: greater independence and insulation from political manipulation; the ability to develop for the first time a coherent national strategy on statistics; a freeing up of wasteful and duplicative resources; and enhanced protection of individual privacy while data quality is improved.

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Mr. HORN. Let me go to our last witness before we ask questions. Mary Susan Vickers, research director, Interstate Conference of Employment Security Agencies, Inc.

Ms. VICKERS. Thank you, Mr. Chairman, for this opportunity to testify on behalf of the Interstate Conference of Employment Security Agencies.

My name is Mary Susan Vickers, and I am director of labor market information for the Interstate Conference, or ICESA. ICESA is the national organization of State officials who administer the Nation's employment and training services, unemployment insurance laws, and labor market information programs. The State Labor Market Information Divisions, or LMI units, within employment security agencies produce, analyze, and distribute labor statistics to improve economic decisionmaking. These statistics include employment, unemployment, and wage information produced primarily through cooperative Federal-State statistical programs with the Bureau of Labor Statistics.

The BLS programs are housed in State employment security agencies because their existence depends directly on their connection to unemployment insurance administrative data. BLS's contracts in each State rely on access to and use of confidential administrative records collected by the States for the administration of unemployment insurance programs. The collection of unemployment insurance data is authorized by State law and conducted according to State policies and regulations. The disclosure of unemployment information is also governed by State statute and policy.

These Federal-State statistical programs are a fully integrated component within State employment security agency functions. Within the unemployment insurance programs, for example, they are used to set unemployment compensation benefits and to determine tax rates for employers. For job training and employment programs, they are used to allocate resources to sub-state areas. These statistical programs, using supplemental resources from the U.S. Department of Labor's Employment and Training Administration, are key to developing knowledge about where there are current jobs, what they pay, and the background and education job seekers need to obtain them.

Within the context of the Federal-State cooperative programs with the Bureau of Labor Statistics, the States perform two critical functions: First, they are the producers of the statistical data. Second, they provide the analysis requested by State and local users to create that data into information, labor market information.

Labor market information is a key driving factor in the planning and delivery of State work force development systems and major State welfare reform initiatives. State staff are responsible for keeping employers informed of the confidential statistical use of the data and have a vested interest in data quality and timeliness. States are also strong advocates for reducing employer reporting burdens; for addressing State confidentiality concerns in State data sharing proposals; and to ensure that the States, as producers of labor market information, achieve equal status within the Federal-State statistical system.

Federal sharing of State data represents a transfer of authority from the States to the Federal Government. This transfer of au-

thority means that the States require assurance that Federal practice does not violate State statute.

If, as a result of consolidation, for example, confidential data from State unemployment insurance records provided to the Bureau of Labor Statistics were to be shared with another Federal agency, statutes in several States would have to be changed. State legislatures might agree to some of these changes only if qualifiers were stipulated. These qualifiers might include that States be advised of the nature of the use of the data and the State would be reimbursed for the cost of providing the data to the additional Federal agency or the Federal reciprocal agency would abide by State disclosure rules.

It is also our position that the States should have access to data held by Federal agencies for statistical purposes. Data sharing agreements should be reciprocal. An agency receiving data and then sharing that data should also provide access to the original collecting agency, which may be a State.

Finally, we believe that a reformed system should ensure a State rule that encourages the Federal statistical system to evolve as the needs of our mutual customers evolve. In other words, consolidation for greater efficiency is important, but consolidation will not be effective if it is not responsive to our customers' needs or if it does not recognize the interdependence between Federal and State needs.

The Federal statistical agencies have direct customers, such as the Federal Reserve Bank, while States' customers are employers planning business expansions, job seekers, and economic developers. The needs of all of these customers are important and must be met.

As you develop your reform proposal, ICESA is prepared to assist in additional study and planning for change. Thank you for the opportunity to share our comments.

Mr. HORN. Well, thank you. I appreciate your testimony.

[The prepared statement of Ms. Vickers follows:]

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STATEMENT BY THE
INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES
BEFORE THE
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

July 29, 1997

Thank you, Mr. Chairman, for this opportunity to testify on behalf of the Interstate Conference of Employment Security Agencies. My name is Mary Susan Vickers. I am Director of Labor Market Information and Research for the Interstate Conference of Employment Security Agencies or ICESA. ICESA is the national organization of state officials who administer the nation's employment and training services, unemployment insurance laws, and labor market information programs in the 50 states, the District of Columbia, Puerto Rico and the Virgin Islands. The state Labor Market Information (LMI) Divisions within the state employment security agencies produce, analyze and distribute labor statistics to improve economic decision making. These statistics include employment, unemployment, and wage information produced primarily through federal-state cooperative programs administered by the Bureau of Labor Statistics.

The cooperative federal-state statistical programs operated by the Department of Labor's Bureau of Labor Statistics (BLS) are housed in state employment security agencies because their existence depends directly on connectivity to unemployment insurance administrative data. Under contract to the BLS, the states provide data collection and estimation services.

The Bureau of Labor Statistics' contracts with each state rely on access to and use of the confidential administrative records collected by the states for the administration of the unemployment insurance program. The collection of unemployment insurance data is authorized by state law, and conducted according to state procedures and regulations. The disclosure of employer and unemployment insurance claimant information also is governed by state statute and policy. Survey respondents are assured by states of the specific purposes for which their data will be used.

These federal-state statistical programs are a fully integrated component within state employment security agency functions. Within the unemployment insurance program, they are used to set unemployment compensation benefit rates, trigger extended benefit programs during economic downturns, and determine tax rates for employers. For job training and employment programs, they are used to allocate resources to substate areas. These statistical programs, using supplemental resources provided by the U.S. Department of Labor's Employment and Training Administration, also are key to developing knowledge about where current jobs are, what they pay, and what education and background jobseekers need to obtain them.

Within state governments, these federal-state statistical programs and program services are used for state revenue forecasting, performing economic analyses, and assisting employers in understanding prevailing local labor market wage requirements.

Within the context of the federal-state cooperative BLS statistical program, the states perform two critical functions: (1) they are the producers of statistical data; and (2) they provide the analysis requested by state and local users to create Labor Market Information. Labor Market Information, adapted by state LMI Divisions to unique state needs, is a key factor driving the planning, delivery, and evaluation of established and emerging state workforce development

systems and major state welfare reform initiatives.

Because of the states' critical role in the development of data, the states have a substantial interest in reform efforts and discussions of consolidation of federal statistical agencies. The state LMI Divisions are closely connected not only to the data but also to the employers who provide the data.

State staff are responsible for keeping employers informed of the confidential statistical use of the data. State staff understand how data are to be interpreted, not only as part of federal programs but also in relationship to state and local laws, practices, and unique state and local data use. Because there are state uses for the data, state staff have a vested interest in data quality and timeliness. This perspective should be recognized in any reform legislation.

Additionally, the states are strong advocates for:

- reducing employer reporting burdens;
- addressing state confidentiality concerns in data sharing proposals;
- ensuring that appropriations for statistical purposes are provided to statistical agencies;
- developing institutional restructuring to ensure that the states as producers of LMI achieve equal status within the federal statistical system; and,
- minimizing the array of information delivery mechanisms.

Federal sharing of state data represents a transfer of authority from the states to the federal government. This transfer of authority means that the states require institutional vehicles to protect information about employers and individuals, including rights of state access to and approval of the manner in which confidentiality is protected, and assurance that federal practice does not violate state statute.

If, as a result of consolidation, confidential data from state unemployment insurance records provided to the Bureau of Labor Statistics were, for example, shared with another federal statistical agency, statutes in some states would have to be changed. State legislatures might agree to such changes only if qualifiers were stipulated. These qualifiers might include:

- states must be advised of the nature of the use of the data;
- data sharing must be reciprocal between the federal agency and the state employment security agency;
- the data may be used for statistical purposes exclusively;
- strict confidentiality must be maintained;
- the state must be reimbursed for the cost of providing the data to the additional agency;
- the data may not be used for regulatory, taxation or enforcement purposes;
- to ensure informed consent, respondents must be advised of the additional federal use;

- "identifiers" of respondents must be removed;

- the federal recipient agency must abide by state disclosure rules; and,

- the federal agency must recognize the state role in the federal/state data system.

It is also our position that the states should have access to data held by federal agencies for statistical purposes. Data sharing agreements should be reciprocal; an agency receiving data and then sharing that data should also provide access to the original collecting agency which may be a state.

Because of state statutes, specific data sets have already been identified and earmarked exclusively for statistical use. States are committed to safeguarding confidential data. The states would be able to protect the data from access by the non-statistical components in the state employment security agency and would be able to ensure that the data would be used exclusively for statistical purposes.

Given the central role of the states in data collection, statistical estimation and analysis, under the scrutiny and sanction of state and local users, redesign of the federal statistical system should have as one of its objectives assigning some of the principal responsibility for the system's overall development to the states. The national statistical system needs to be built from the local level up. A national statistical system built on this solid local foundation will be a successful system and a system worth funding.

The states are in one of the best positions to observe the negative as well as the positive reactions to the current federal statistical system. It is the state LMI Divisions that must explain to employers the reasons for requests for duplicate employment and payroll information from different federal statistical agencies. It is the states who must explain to users the confusion associated with different data series covering different time periods, including or excluding different income sources.

We believe that a reformed system should ensure a prominent state role that encourages the federal statistical system to evolve as the needs of our mutual customers evolve. In other words, consolidation for greater efficiency is important, but consolidation will not be effective if it is not responsive to our customers' needs or if it does not recognize the interdependence of state and federal needs. The federal statistical agencies have direct customers, such as the Federal Reserve Bank, while the state's customers are employers planning business expansion, economic developers and jobseekers; the needs of all these customers are important and must be met.

As you develop your reform proposal, ICESA is prepared to assist in additional study and planning for change.

Thank you for this opportunity to share our ideas with you.

Mr. HORN. Let's ask a few questions, and then I think we will wrap it up.

Just in general are the Federal Government statistical agencies focusing too much of our statistical resources on the more traditional parts of the economy and not enough on the rapidly growing information, technology, and service sector?

Just to pick one, pick biotechnology, which is the most rapidly growing industry in California. Any feelings on that? I realize some of you are specialists in a particular area.

Mr. EHRLICH. Let me speak to that.

Mr. HORN. What do you hear?

Mr. EHRLICH. The short answer is yes. The problem is not as profound as it was several years ago.

As you understand, Mr. Chairman, 2½ years ago we had the first comprehensive strategic review of the Nation's economic statistics in 40 years, held at the Chamber of Commerce downtown; and started to get rid of old programs. For example, regional economic projections, sub-national retail sales: the leading economic indicators were farmed out to the private sector so that we could free up resources for exactly those kinds of measurements. In the 1997 economic quinquennial, I think we will have real balance between the service and non-service sectors.

On the other hand, the service sectors pose special problems about their conceptual being. How do you measure a unit of software? How do you measure a unit of insurance being provided or a financial derivative? Who sold what to whom? That requires more resources so we understand their quality and understand their contributions to economic growth.

With that said, if I may move to my third hand. I believe it is not the structure of the system that obstructs our ability to answer those questions right now. It is the level of resources provided to it, and, to some extent, there are questions of management.

Mr. HORN. What sort of questions of management come to your mind?

Mr. EHRLICH. Are you willing to establish priorities and enforce them within the individual agencies as to what is more important than the next thing? What we did at BEA and Census was establish that measuring the quality and concept of output and therefore prices was our most important priority. And while we regretted very deeply cutting such programs as regional economic projections or nonresidential building permits that had real value to real users, they weren't as important as the central question—are we getting inflation and growth right? Therefore, they had to go.

Mr. HORN. On that very point, the regional Federal Reserve officers usually have a chief economist and a number of economists on the staff and generally try to watch some of that local economic data. Have you found them wanting? Does that make sense that they have that role? I realize the two are good for each other, competition and all that.

Mr. EHRLICH. They have that role, but what they provide is not a substitute. The beige book, which is the summary of their findings, is really qualitative in nature. It is an essay as opposed to a data series that can be used for business planning and the like.

I think they use their anecdotal reservoir as a substitute, to some extent, for data that they used to provide, and when they provided it, we used it as a complement.

Mr. HORN. OK. Are the Federal Government agencies taking advantage of the improved methods that businesses use to track information in order to improve the Federal data collection methodologies? For example—and this is a rather interesting one—do Federal statistical agencies incorporate the universe America product code information tracked by scanners into surveys of economic data? What is the answer on that one?

Mr. EHRLICH. Not yet. We are designing programs to do so. The product code isn't a full universe of products.

The obstacle to using bar code data in a statistical system is to find a way to bridge between those products that are bar coded and those establishments that are bar coded, even though they are the great preponderance of products and establishments, and those that don't, so you avoid double counting and the like, and you can seamlessly capture the entire household goods sector.

I referred in my testimony, in the statement I gave to the subcommittee, to our ability, once we have that, to get both price and quantity data from it. I think that the price and quantity data found in bar codes could be very useful for experiments in measuring the changing quality of goods and, therefore, what the real impact of inflation has been. But we are not yet at a point where we can use them as the basis for all of the GDP calculations.

Census is also working on software that a respondent firm could load into their own accounting systems and that would automatically report to us. At first, it sounds almost nightmarish that you would allow that, but, in fact, it is the same level of confidentiality and the same level of assurance that over-the-phone or pencil and paper reporting provides. It is simply allowing it to happen automatically at lower cost. That is another example of the kinds of technological opportunities they are pursuing.

Mr. HORN. As you talk, I have been thinking of interesting studies; and, of course, they probably all would run into the Hawthorne effect.

For example, if you had a card that you are picked in a random sample nationally by BLS, BEA, Census, or one of the statistical agencies, you use that card whenever you make a purchase. That is registered, obviously. You can pull all of that together.

Now, the mere fact you are designated to be on such a select panel, Hawthorne told us it didn't matter what you do. The more somebody cared about people, they would increase productivity. Would they go out eating hamburgers and grease when they think that is the normal thing to do, when the rest of us are out eating vegetables to avoid hamburgers and grease?

Mr. HORN. Dr. Sondik.

Dr. SONDIK. Actually, we are using that technology in the National Health and Nutrition Examination Survey which we are in the process of implementing. We use it not so much in identifying products that someone is using but use the technology within the centers that we have to track the samples that are derived from the individual and track individuals as they move within our trailer examination centers.

We use it in terms of the home interviews that are done; and we use it, in fact, in nutrition monitoring, in which we found that the Hawthorne effect is perhaps not as strong as we might hope that it would be in terms of what this country is eating.

So I think in that survey, and I would like to think in some of the other things we are doing, particularly in information dissemination, we are trying to make as much use as we can of technology that is really not behind the wave but really is ahead of the wave, and we are certainly doing it with this survey.

Mr. HORN. Anybody else?

Mr. HAKES. I think all of us favor electronic reporting. We have used some version of it now for 3 and 4 years, and it keeps getting better. I think we have to be sensitive to our respondent base. If even as many as 10 percent of our respondents have difficulty reporting electronically, that may be a barrier to us using it for the whole universe.

Another thing we noticed is once you have a system in place, the reporting entity is sometimes reluctant to change it. We have suggested removing certain questions to reduce respondent burden; and the respondent says, don't take out the question; we don't want to change the system.

It gets complicated, but I think there are tremendous potentials in electronic reporting. A person can get a screen of what they reported last time, simply change the data, or maybe have the data go in in an automated fashion from their accounting system. That improves the quality at both ends, and I think that there will be a lot of movement forward in this area.

The difficulty will come mostly in the small business area, where that will be a more difficult transition. But that will come, also.

Mr. HORN. Would those of you that operate energy, health, any of the data banks before us, do you draw on BLS and Census data in any of your statistical operations? Do you need to use their duplications, their series, whatever you want to describe it as?

Dr. SONDIK. Yes. They are actually vital to what we do. But we have limitations in what we can do now, because we can't share data.

For example, the Census Bureau actually implements the health interview study, which is the core of the Health and Human Services survey integration activities. In fact, we are trying to build surveys around that in a process we call survey integration. But when we do that, we actually have to derive the sample from that, and they implement it for us. We could save considerably if we were actually able to use their sampling frame.

The same goes for BLS, in which we have ongoing discussions, but, for example, provider surveys—the Secretary tells me she hates that word provider—but for those who deliver or are involved in health care, we need to be involved more with them in understanding exactly what they are doing. The frames that we could derive from BLS and from Census would be enormously useful in that.

There are frames that I am not sure we even know about that could be very useful in health at this point. For example, in energy, in helping us understand the implications of various forces.

When we study health, the issue is really the interaction of different forces. Studying health is not only looking at particular genes, because, in fact, what happens to a person is not just a function of your gene structure. It is a function of all of the other interplays—the social ones, the ones that have to do with food intake, for example, and actually the care that is delivered. All of those are derived from information from different areas and this could be handled much more efficiently if, in fact, we were able to share information with confidentiality, which now, with the statistical confidentiality act, we would be able to do.

So it would be of enormous benefit to us, not only in saving money but from the standpoint of how much it would open the kinds of studies that we are able to do.

Mr. HORN. I would think your colleague next to you, you have got energy surveys, probably home heating oil, New England, the health relationships there, when the price goes up or the energy deliveries go down in either case.

Dr. SONDIK. As he was speaking, it certainly occurred to me that was an area that would be important to us, particularly if we could segment and look at the impact on us and do it on the basis of income. It would be very important.

Mr. HORN. Things generally happen incrementally in Congress and in the executive branch, too, for that matter. What I am interested in, since we did have a bill in the last Congress and will probably have it in again, in terms of Bureau of Economic Analysis, Census, Bureau of Labor Statistics, are those agencies, the ones we could start with first, that consolidation might help you more than it does now?

I would just be curious if there is any reaction on this. I want to go down the line and see what the views are.

Dr. SONDIK. It would certainly help us. But I would much rather see data sharing expanded so that the other agencies could also be involved.

Agriculture is another area in which the study, for example, of the environment that the farmer is in, pesticides and so forth, would be much easier, and it is a very important area. These studies would certainly be enhanced with that freedom.

Mr. HAKES. From our perspective, I don't think the issue is consolidation. It is confidentiality.

On the residential survey, for instance, we use the Census data down to about the level of 50 households, and we can go that far and not have the confidentiality problem.

Then we get the logical thing at that point would be just to continue right on with the Census data down to the individual household, but we cannot do that. From that point on, we are on our own.

Another point of interaction with Census is we actually contract with them to do the Manufacturing Energy Consumption Survey. We don't really deal with the individual respondent data. It does create somewhat of an awkward situation because I think analysts having access to that data is important from a quality standpoint. But we sort of cobble together things now, using the Census as much as we can, but we sort of reach a point where we have to stop.

Mr. HORN. We could solve the confidential situation and then have some things centralized, others decentralized with access because of changing the confidentiality access situation that exists now. So that is another model we might think about.

Canada has presumably—what—a centralized statistical agency? They include all departmental statistics in their particular operation?

Dr. SONDIK. I believe they do.

Mr. HAKES. The answer is yes, but I would caveat that in several ways. For instance, most of what is called—of the energy mining activities that occur in Canada occur in the Province of Alberta, and actually the statistics there are collected by the provisional government, not by the Federal Government, so it is certainly more centralized than the United States system, but it is not a totally centralized system.

Mr. HORN. Mr. Ehrlich, how about it?

Mr. EHRLICH. Mr. Hakes makes a good point. The provinces are more important in Canada. They do bear a much greater portion of the burden, and they also create a burden of their own, insofar as the Canadian system is asked to calculate GDP by province on a quarterly, if not monthly basis. It is an ungodly task.

Were you to consolidate, I would advise you out of my own experience to start with the five agencies, not the three you mentioned, and Energy and Agriculture.

You say first why in terms of what I've left out. You have four agencies in NCES, NCHS, the Bureau of Transportation Statistics, and Justice Statistics. They have very important functions, and it provides important analytic and policy direction to the data-gathering processes over which they preside.

The operations of those agencies share two characterizations. One is that the Census is used, as you've heard, to be the wedge to the system. Census has a world class field force. It's well organized. They know how to go out on a low-cost basis and get work done. In that sense, the system is already centralized at the point of production. The other thing they share is that they are a conduit for money to States. And the States then go out and report back to those four agencies. So there are problems. Their issues are different regarding consolidation or higher levels of coordination. The five agencies, I think, would allow you to sit down with the managers' most formidable weapon, a clean piece of paper, and start reorganizing in a way that some past efforts—Dr. Norwood's, for example—have not.

I think simply taking BLS, BEA, and Census, and creating an organization chart that has them as three operating divisions misses all of the nuances that are possible in centralizing functions related to national income, to personal and household incomes, to industry studies, to labor market studies, to demographic-based surveys, and the like. But we do have the opportunity to put common things together and arrive at common methodological approaches and to relieve ourselves of duplicate work where it exists. I think we start at those levels.

Mr. HORN. Interesting.

Mr. Wilson.

Mr. WILSON. I agree with Mr. Ehrlich. I think it's important to—again, to be considering consolidation, which I hope that you do, that you consolidate along the lines, I think, functionally rather than just organizationally as it is now with just being separate divisions, of BLS being one division, and Census the other, and BEA being another.

I think it's also important to consider that the statistical system of a Nation generally provides two forms of statistics, public statistics—which are of wide interest and are used by the general public and data users—and the administrative statistics—which are of narrow interest and are used primarily by the Federal or State Governments for policymaking purposes, regulatory purposes, and others.

In that regard, it may be useful to take a look at how the United Kingdom, Great Britain, has consolidated their statistical system and how they've set up a public statistics service as well as the government statistics service and see what we can learn from that and perhaps integrate in the United States.

Mr. HORN. Ms. Vickers.

Ms. VICKERS. Yes, in terms of a consolidation of Federal statistical programs, I think the point we would like to make is just that the States are definitely involved in the system and interested in what will happen about it. The national system is a little bit different, in our mind, than a Federal system.

Mr. HORN. Sure.

Ms. VICKERS. Building a system from a local level up would be a system that would be helpful to our customers.

Mr. HORN. Just for the record, the agencies you represent, the employment agencies.

Ms. VICKERS. Yes.

Mr. HORN. The Federal-State partnerships since, what, 1934 or so, somewhere around there.

Ms. VICKERS. Our organization has existed since 1937.

Mr. HORN. 1937. They are providing unemployment data in particular, aren't they——

Ms. VICKERS. Yes.

Mr. HORN [continuing]. Through those offices?

What else are they providing?

Ms. VICKERS. They are collectors for the Bureau of Labor Statistics, statistical programs on wages, occupations, current employment on a monthly basis. The CES programs have a 90, as well as the unemployment, and employment statistics.

Mr. HORN. Interesting.

Ms. VICKERS. Mass layoffs is another area that the States collect for the Bureau.

Mr. HORN. While we're on some of this question, Mr. Ehrlich, you're a very eloquent person. I knew that from the first hearing with you. Let me read one of your eloquent statements you once made in the Chicago Tribune.

Mr. EHRLICH. Oh.

Mr. HORN. No, it's OK. Don't worry.

Mr. EHRLICH. OK.

Mr. HORN. Quote: If we can't maintain a pace of improvement in collecting economic data as rapid as change in the economy, we're

going to have the world's most advanced economy with a statistical system worthy of a middle tier nation. We need to start looking at economic data as being as much a part of our infrastructure as our roads, our ports, and our bridges. They're part of what makes the economy go.

Is that a correct quote?

Mr. EHRLICH. Yes, it is.

Mr. HORN. Could you elaborate on your comment about having a statistical system worthy of a middle tier nation.

Mr. EHRLICH. This goes to a remark that has been made in various places in the panel. The economy is changing very rapidly. When we think about, for example, the problems that we associate with the statistical system, the measurement of services, our questions about whether or not we're overstating inflation and understating growth, they're all various dimensions of the problem of economic change.

We have the most innovative, advanced, and technologically progressive economy in the world, probably the most that the world can imagine. And that means that we're continually creating new kinds of goods and services and that old ones are changing in nature and scope. And the statistical system has to accommodate those as they occur.

I've often, Mr. Chairman, used the metaphor of the tailor, that we think of the statistical system being like a tailor measuring someone for a suit of clothes. And you hold the ruler or the tape measure up to them, and you read off the numbers, and you write them down in books. That makes sense only if we accept the fact that the person that we're measuring is sprinting as fast as they can, which means the only way we can do our jobs—and I'll allow myself to dignify myself by still saying "we"—is by running as fast as the person we measure and being twice as agile. It's a formidable challenge.

To some extent, moving toward consolidation would help us meet that challenge in the various ways that I mentioned. But there are other dimensions of the problem, and they have to do, as I mentioned earlier, with the level of resources we're provided and with management will.

The economy has grown by around 40 percent in the last 15 to 20 years, and the number of establishments—number of places where businesses conducted per unit of GDP—has grown by around 30 percent. And yet in real terms, the resources we're providing are still what they were 15, 20 years ago.

Mr. HORN. Yes, Mr. Hakes.

Mr. HAKES. I of course can speak most authoritatively about energy statistics. I believe that the United States has by far the highest quality energy statistics of any in the world, and I think most countries in the world would agree to that. When the trade press, which is, I think, the most frequent and eligible user of our data in many instances or refers to our data, the word "authoritative" is used as an adjective on many, many occasions.

Last week, one of the trade press referred to our statistics as the "Bible of Energy Statistics." Although I think we need to be aware of opportunities to improve, I think we certainly have within our system some statistics that are considered the finest in the world.

And we advise many governments around the world on how to upgrade their statistics.

I think as we look for opportunities to improve, which I think all of us are very committed to, I think we have to look at the centralization versus decentralization question.

I, like others in the room, used to teach political science. But I started in government 20 years ago, and one thing that struck me over and over again is—after I worked in several different agencies—there is a tendency if an agency is highly centralized, to believe that decentralization will substantially improve that agency's performance, and if the agency is decentralized, it can be substantially improved by centralization.

Now, any change may cause progress, but any change like that also has very high transaction costs. And let me give you an example. Right now, in energy, there's a lot of changes going on in the energy industries. The deregulation of the electric industry that is going on at the State level may get some boost at the Federal level. Those industries will look very different a few years from now than they look now.

Now, if energy has to go through four more layers to get approval to fix the system, that may cause problems. So that there are some potentials of integration. There are also some dangers of integration in not being able to turn the battleship always quickly when things need to be changed.

I would just mention one more thing from our experience. EIA itself is a unified agency combined out of several previous agencies. It was formed in 1977 out of the Bureau of the Mines, the Federal Energy Administration, and other agencies that were brought in. When I arrived in 1993, and even to some extent today, you can see those operating independently within our operation. Whether you can tell whether they came from the Bureau of Mines, this is essentially a management project. It is difficult even within our statistical agencies to do the amount of integration that needs to be done. And so I think we have to see that there are some potentials in a decentralized system, some in a centralized, and hopefully we can find the advantages of both.

Mr. HORN. That's a very helpful comment.

We have a vote on the floor, and I don't want to have to recess and hold you here. But is there any other comment members of the panel would like to make that we haven't asked you the right question where you should make it?

Dr. SONDIK. Just in terms of consolidation, and perhaps this is from the health point of view, but I would think it applies across the board—the statistical agencies are not only archivists, if you will, but they're involved in providing the information that we need for making decisions. And I think in order to do that, you have to be close to the communities that you're serving or at least have very strong links to those communities.

And I see in the health-related statistical agencies, the involvement of each of those with their communities is absolutely invaluable to what it is they bring to the table in knowledge concerning where the country is going. In our case, I think it's even worse than the tailor running after the person who is sprinting. I'm not sure we have an idea of any direction that the person is going in

at this point and really need to be as close to that as we can be, at the same time that we don't lose the past thread, so to speak.

Mr. HORN. Any other comments to be made? Ms. Vickers. Mr. Wilson.

Mr. WILSON. No.

Mr. HORN. Mr. Ehrlich. Mr. Hakes.

Dr. SONDIK. Thank you.

Mr. HORN. Well, let me just thank each of you. I think the country can take great pleasure in the fact that we've got such able people running some of our key statistical agencies. I've learned a lot from this, and we're going to be consulting you, because I think that the point that you've made in our legislation, we're just trying to keep it very simple, but there ought to be some goals and aims in there.

And when you mention the national economic data and the different series that one might think about, not as definitive but simply as illustrative, we would simply welcome your comments in the months ahead, and both my colleagues and the staff, I think, would want to be interacting with you and some of your other counterparts.

I'm familiar with the Bureau of Justice Statistics, because I spent, I think—well, maybe 15 years on the National Institute of Corrections after helping found it. And you are right about the linkages with the community you serve, because I remember when we wanted to make suggestions to the FBI uniform crime survey to get women and some of their problems into it, it took quite a battle almost. And I think some of those days are in our past, but there are questions that ought to be asked, that if you aren't close to the people that are affected, you are not going to really think about them very much.

So I thank you all for coming. It has been an immensely interesting hearing for me. And with that, we are adjourned exactly at 4 p.m.

[Whereupon, at 4 p.m., the subcommittee was adjourned.]

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